Doing Business in the Philippines: 2012 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In the Philippines

Market Overview Return to top

Key Economic Indicators and Trade Statistics

- Philippine Gross Domestic Product growth slowed from 7.6% in 2010 (the highest in over three decades) to 3.7% in 2011 following one-off factors in 2010 (election spending and heavy post-typhoon reconstruction); lower-than targeted government expenditures; adverse developments in Japan, Thailand, and the Middle East and North African region; and the weak global economic recovery.
  http://www.nscb.gov.ph/sna/2011/4th2011/2011qpr4.asp
  http://www.neda.gov.ph/ads/press_releases/pr.asp?ID=1320
- The Government reverted to a deficit reduction path in 2011 after opting for higher deficits in 2008 to 2010 to help support economic growth and generate employment. However, the Government spent significantly below target, contributing to the economy's weaker-than-expected expansion. The 2011 budget deficit is estimated at roughly US$4.5 billion, 2% of GDP versus the approximately US$7 billion (3% of GDP) ceiling programmed for the year, which officials attributed to continuing efforts to promote good governance in public expenditure management.
- Average consumer price inflation accelerated from 3.8% in 2010 to 4.4% in 2010, due mainly to higher fuel and food prices, but was contained within the Government's target range of 3.0% to 5.0% for the year.
  http://www.bsp.gov.ph/publications/media.asp?id=2777
- The foreign exchange rate averaged 43.31 Philippine pesos (PhP) to the U.S. dollar during 2011, up 4.2% from the previous year. However, the peso closed 2011 flat from the end of 2010 (PhP43.84 per U.S. dollar) as escalating concerns about the eurozone debt crisis and the global economic recovery exerted downward pressure on the local currency during the last quarter of the year.
  http://www.bsp.gov.ph/statistics/spei_new/tab35.htm
- The Philippine Stock Exchange Index, which had increased 63% in 2009 and another 38% in 2010, increased by a modest 4% in 2011 due to global economic and financial uncertainties.
- The balance of payments ended 2011 with a US$10.2 billion surplus, despite a wider merchandise trade deficit and lower foreign direct investment flows, supported by higher Filipino overseas remittances, business process outsourcing revenues, and foreign portfolio capital.
  http://www.bsp.gov.ph/statistics/sdds/sdds_bop.htm
  http://www.bsp.gov.ph/publications/media.asp?id=2786

- Gross international reserves rose 20.7% in 2011 to a new yearend record of US$75.3 billion, a value equivalent to approximately 11 months of goods and service imports.
  http://www.bsp.gov.ph/statistics/spei_new/tab26.htm

- The ratio of public and private sector foreign debt-service payments to merchandise and service exports declined from 9.3% to 8.9% during the first nine months of 2011 as somewhat lower foreign debt service payments combined with the continued expansion of overseas workers' remittances.
  http://www.bsp.gov.ph/statistics/spei_new/tab28.htm
- The January-November 2011 merchandise trade deficit widened by about 48% year-on-year to more than US$14 billion. Exports declined by 5.8% while imports increased by 3.6%. Revenues from electronics slumped 22%. According to U.S. Government data, January-November 2011 Philippine exports to the U.S. increased 15.1% year-on-year to US$ 8.4 billion while Philippine imports from the U.S. increased 5.2% to US$ 7.1 billion, resulting in a wider US$ 1.4 billion Philippine trade surplus with the U.S. than in 2010 (US$ 0.6 billion).
  http://www.census.gov/foreign-trade/balance/c5650.html#2011
- For the first eleven months of 2011, Japan and the U.S. were the Philippines' top import sources, each accounting for nearly 11% of total imports.
- Other major import sources include China (9.9% of the import market), Singapore (8.2%), Republic of Korea (7.2%), and Taiwan (6.9%).
  http://www.census.gov.ph/data/sectordata/2011/im111103.htm

Political Situation and Other Issues that Affect Trade

- Philippine voters elected President Benigno S. Aquino on May 10, 2010, by a wide margin to a six-year term in the country's first nationwide automated elections. Voters also elected the Vice President, half the Senate, the entire House of Representatives, as well as provincial and local leaders. The elections were credible, generally fair, and relatively peaceful, although observers expressed concern about reports of electoral fraud, which has traditionally occurred.
- With U.S. assistance, the Philippine government continues to make progress against Jemaah Islamiyah (JI) and Abu Sayyaf Group (ASG) terrorists operating in some areas of the southern Philippines. The Aquino administration has indicated support for continuing peace talks with domestic insurgent groups, including the communist National Democratic Front (NDF) and the Mindanao-based Moro Islamic Liberation Front (MILF).
- The U.S. Government in FY 2010 provided US$128 million in development assistance through USAID and USDA, as well as US$67 million in foreign military assistance. In FY 2011, the U.S. Government provided relief efforts totaling US$1.4 million for typhoon victims in Luzon, and flooding that hit the Visayas and Mindanao regions. This is in addition to logistical support provided for the delivery of relief supplies.
- The U.S. and Philippines in September 2010 signed a US$434 million, five-year Millennium Challenge Corporation Compact to reduce poverty and promote economic growth. The agreement will provide financial and technical assistance for three projects on institutional reform, community development, and infrastructure.

Market Challenges

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- **Graft and Corruption:** Graft and corruption in government and business remain a major business constraint, despite the Government's effort to combat them. President Aquino's ascent to power is due largely to his campaign promise to fight corruption, and promote and be an example of transparency and good governance.
- **Ineffective Judicial System:** A severe shortage of judges and prosecutors, corruption, and a weak record of prosecution plague the judicial process.
- **Limited Ownership:** The Philippines has restricted foreign ownership in selected industries. See Chapters 5 and 6 for complete restrictions.
- **Poor Intellectual Property Rights Protection:** A variety of counterfeit goods are commonly sold throughout the country. Due to the efforts of the Intellectual Property Office (IP Philippines) to control these sales, the U.S. Trade Representative moved the Philippines from the Special 301 Priority Watch List to the Watch List in 2006. However, enforcement remains inconsistent. There have been some notable accomplishments, such as the Anti-Camcording Act of 2010 and the October 2011 Supreme Court approval of the Rules of Procedure for Intellectual Property Rights Cases. Also in 2011, the Philippines was included in the Special 301 Out-of-Cycle Review for Notorious Markets. See Chapter 3 for a more detailed discussion on Intellectual Property Rights.
- **Regulatory System:** Product registration, product standards, and environmental and labeling requirements place restrictions on certain products. See Chapter 5 for additional information.
- **Value-Added Tax (VAT):** VAT is in place, by virtue of the Republic Act (RA) 9337. VAT is a 12% tax levied on the sale of goods and services and on the imports of goods into the Philippines. It is an indirect tax which can be passed on to the buyer.
- **Infrastructure:** The Philippines lags behind many of its neighbors in infrastructure development. Major improvements are needed in transport infrastructure. Capacity at Ninoy Aquino International Airport (NAIA), the primary international gateway, is beyond rated levels and is a significant impediment to development and tourism. There is a need for a transportation master plan to determine what modes of transportation will best address vehicle congestion in key parts of the country. The new Aquino administration has launched its Public-Private Partnership (PPP) program in 2010 to address the country's pressing infrastructure needs. Through the PPP, the government invites private corporations to invest in ten priority PPP projects. However, only one road project was bid and awarded in 2011. The critical aviation and rail infrastructure projects have been postponed for 2012. http://ppp.gov.ph/
- **Air Transportation Safety:** In 2007, the Federal Aviation Administration (FAA) revised the Philippines' aviation safety oversight category from Category 1 to Category 2. In Category 2, Philippine air carriers will be permitted to continue current operations servicing the United States, but will be under heightened FAA surveillance. In 2010, the Philippines received further censure on its air safety practices. The Philippine Civil Aviation Authority was blacklisted by the European Union, and was found by the International Civil Aviation Organization (ICAO) to have Significant Safety Concerns (SSC). The Philippines air safety challenges have remained unresolved.
- **Tariff/Non-Tariff Barriers and Other Trade Regulations:** See Chapter 5.

Market Opportunities

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- For the fifth consecutive year the promising market sectors in the Philippines for U.S. companies are information technology, telecommunication, medical, electric power, and water resources, respectively.
- These sectors are further intertwined in the current Philippine government's Public-Private Partnership (PPP) program targeting those projects of priority to the government. The Government of the Philippines actively seeks foreign investment to promote economic development of these PPP projects (see Chapter 4).

Market Entry Strategy

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- Agents and distributors are commonly used in the Philippines (See Chapter 3). U.S. firms seeking agents or distributors in the Philippines are encouraged to use the services of the U.S. Commercial Service, Manila (CS Manila).
- For more information, visit http://export.gov/philippines/ and click "Services for U.S. Companies." You may also contact CS Manila (http://export.gov/philippines/contactus/index.asp) or a U.S. Department of Commerce office (http://export.gov/usoffices/index.asp)

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/2794.htm

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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Agent/distributor arrangements are common. Local companies are often eager to pursue discussions once they have examined a U.S. firm's website/product literature and have determined that there is a market for the product. Contracts between U.S. manufacturers and their Filipino agents/distributors typically contain the following key elements:

1. General Provisions: Identification of parties to the contract, duration of the contract, conditions for cancellation, definition of covered goods, definition of territory or territories, and, whenever necessary, sole and exclusive rights;

2. Rights and Obligations of Manufacturer: Conditions of termination, protection of sole and exclusive rights, sales and technical support, tax liabilities, conditions of sale, delivery of goods, prices, order refusal, inspection of distributor's books, trademark/patent protection, information to be supplied by the distributor, marketing, advertising and sales promotion, responsibility for claims/warranties, and inventory requirements;

3. Rights and Obligations of Distributor: Safeguarding manufacturer's interest, intellectual property rights, payment arrangements, contract assignment, customs clearance, observance of conditions of sale, after-sales service, and information to be supplied to the manufacturer.

There are no laws that impede termination of an agent/distributor contract, should either party wish to do so. Contracts usually specify that a 30-day notice be given in the event of cancellation, or as mutually agreed upon by both parties. Standard agent commissions range from five to 10 percent, but vary by industry. Legal assistance in drafting and enforcing contracts is highly recommended.

A prototypical Philippine agent or distributor profile does not exist. Firms can range in size, from small (fewer than 25 employees handling a few specialized products on behalf of a limited number of manufacturers) to large trading companies handling a wide range of products and suppliers. Some firms focus on the Metro Manila area, whereas others provide additional service to provincial commercial centers such as Cebu, Davao, Iloilo, and Baguio; either directly or through a network of dealers, retailers, sub-agents, and/or re-sellers.

Local agents and distributors working with foreign suppliers often employ forward sales or indent arrangements. In a forward sales arrangement, distributors place an order from the foreign supplier and then sell the product to the local end-user or customer. Under an indent arrangement, end-users or customers directly place orders with the supplier. The indenter then receives a pre-determined commission for each successful sale. In some instances, distributors and/or their respective dealers also maintain inventories to serve the recurring requirements of major customers.

Corporate agents/distributors must register with the Philippine Securities and Exchange Commission (SEC). Sole proprietorship agents must register with the Department of Trade and Industry (DTI).

U.S. firms selecting a Philippine representative should consider, among other factors, the following: (a) whether the distributor has sufficient financial strength to maintain appropriate stock, provide effective after-sales service, or offer competitive payment terms; and (b) whether the representative's geographic sales area covers strategic markets in the Luzon, Visayas, and Mindanao regions.

U.S. firms seeking agents or distributors in the Philippines are encouraged to use the services of the U.S. Commercial Service Manila, which include an International Partner Search (IPS), International Company Profile (ICP), the Gold Key Service (GKS), and Platinum Key Service.

Establishing an Office

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The principal forms of business organization in the Philippines are sole proprietorships, partnerships, and corporations. Other less common business structures include joint stock companies, joint accounts, business trusts, and cooperatives.

A business enterprise must comply with the following requirements before it can begin operations (Refer to Philippine Economic Zone Authority (PEZA) information, Chapter 6):

Business Registration Procedures

	WHERE TO REGISTER	REQUIREMENTS AND FEES	TIMETABLE
1. Corporation/ Partnership	Securities and Exchange Commission (SEC) Web: www.sec.gov.ph	1/5 of 1% of the authorized capital stock	Within five (5) working days

2. Single Proprietorship	Department of Trade and Industry (DTI)-NCR DTI Website: www.dti.gov.ph	Approximately US$10.00	Within 24-hours
3. Incentives Availment (OPTIONAL)	Board of Investments (BOI) www.boi.gov.ph Philippine Economic Zone Authority (PEZA) www.peza.gov.ph	Depends on company's project cost	BOI – within 3 weeks for pioneer projects
4. Tax Identification No.- (T.I.N.)	Bureau of Internal Revenue (BIR) www.bir.gov.ph	None	Within 24-hours
5. Mayors Permit (License to Operate)	Local Government Unit (Office of the Mayor) where business is located	Initial Fee – based on business activity. Garbage Fee – based on land/floor area License fee: Approximately US$.006 for every US$25.00 of the company's capital	Within two (2) weeks
6. Barangay Clearance Certificate	Barangay where the business is located	Filing Fee: Ranges from US$10.00 – 15.00 depending on the Barangay requirement	Within 24-hours
7. Employer/ Employee (S.S.S. Registration No.)	Social Security System (SSS) nearest branch where business is located. www.sss.gov.ph	None	Within 24-hours
8. Environmental Clearance Certificate (ECC)/or Certificate of Non-coverage (CNC)	Department of Environmental and Natural Resources (DENR) www.emb.gov.ph	ECC Non-Critical – US$100.00 ECC Critical – US$150.00 CNC – US$5.00	ECC -120 working days Cert of Non-coverage-within one (1) week.
9. Utilities installation	Landline or Mobile, etc. a. PLDT (171 Customer service) www.pldt.com.ph b. SMART 888-1111	Depends on the categories, type of model unit	Within 24-hours

	(Customer hotline) www.smart.com.ph c. GLOBE 730-1000 (customer hotline www.globe.com.ph Water and Electric (Energy) a. Water Maynilad Water Services (1626) Manila Water Co., Inc. (1627) www.maynilad.com.ph b. MERALCO (Manila Electric Company) (16-211; 631-111) www.meralco.com.ph	Depends on the capacity requirement per cubic meter Depends on the capacity requirement per KWH	Within two weeks Within two (2) to four (4) weeks

Source: Philippine Board of Investments, National Economic Research and Business Assistance Center

Multinational firms, depending on the nature of their intended business activity in the Philippines, may establish and register any of the following: branch, subsidiary, licensing or franchising agreement, joint-venture agreement, regional headquarters (RHQ) and regional operating headquarters (ROHQ). Under the Republic Act (RA) 8756, RHQ's or ROHQ's receive the following incentives:

REGIONAL HEADQUARTERS (RHQ)	**REGIONAL OPERATING HEADQUARTERS (ROHQ)**
FUNCTIONS	
▪ Acts as an *administrative branch* of a multinational company engaged in international trade ▪ Serves as a *supervision*, *communications* and *coordination center* for its affiliates, subsidiaries and branches in Asia Pacific Region and other foreign markets ▪ Does not earn income in the Philippines	▪ Performs qualifying services to its affiliates, subsidiaries, and branches in the Philippines ▪ Derives income in the Philippines
TAX INCENTIVES	
Corporate Income Tax - Exempt but shall file and Annual Information Return	Corporate Income Tax - 10% on taxable income
Value Added Tax (VAT) - Exempt - Sale or lease of goods and property, and rendition of services to RHQ shall be subject	Subject to 12% VAT

to zero vat	

BOTH RHQ and ROHQ:

- Exemption from all kinds of local taxes, fees or charges
- Tax and duty free importation of equipment and materials for training and conferences
  - Equipment and training materials not locally available
  - Equipment disposed within 2 years after importation subject to payment of taxes and duties
- Importation of Brand New Motor Vehicles subject to payment of taxes and duties

Source: Philippine Board of Investments, National Economic Research and Business Assistance Center

Foreign personnel working for regional headquarters are issued special multiple-entry visas (within 72 hours), upon submission of complete documents to the Bureau of Immigration (BI). They are also exempted from payment of attendant fees and enjoy tax and duty-free importation of personal and household effects.

Franchising

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Franchising continues to be one of the fastest growing sectors of the Philippine economy and a powerful tool for economic development. Demand continues to grow for new products and services, providing new opportunities for U.S. companies. Population growth, consumer preferences, and increased economic activity contributed to the growth of franchises in the Philippines.

To sustain overseas franchises, foreign franchisors usually offer financing schemes and marketing support to local franchisees. The most successful companies that are expanding market share generally receive such support from their foreign principal.

Master franchise fees vary widely, depending on the type of business and are defined in the agreement between the parties. The royalty fee that a franchisor collects from a franchisee incorporates all aspects of the franchise business which may include the use of trade name, trademark, and the system or concept of the franchise.
One hundred percent (100%) foreign ownership is allowed for Philippine retail trade enterprises (which most franchise outlets are). They are: (a) upfront paid-up capital of USD 2,500,000.00 or more, provided that investments for establishing a store is not less than USD 830,000.00 or (b) specializing in high-end or luxury products, provided that the paid-up capital per store is not less than USD 250,000.00 (Section 5 of Republic Act 9762). No foreign equity is allowed in Retail Trade Enterprises with less than the above mentioned capital.

The GPH's liberalized trade practices are embodied in the Intellectual Property Code of the Philippines - Republic Act No. 8293. Under the law, franchisors do not have to register their franchise agreements as long as these agreements do not contain any of the prohibited clauses under Section 87 and do contain all the mandatory provisions under Section 88 of the IP Code. The law also removed the ceiling on royalties. Royalty payments may be remitted through any Authorized Agent Bank (AAB) of the Philippine Central Bank, Bangko Sentral ng Pilipinas (BSP).

Franchise agreement clauses prohibited under Section 87 are those that:

- Impose upon the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor;
- Reserves the right to fix the sale or resale prices of the products manufactured on the basis of the license;
- Contain restrictions regarding the volume and structure of production;
- Prohibit the use of competitive technologies in a nonexclusive technology transfer arrangement;
- Establish a full or partial purchase option in favor of the licensor;
- Obligate the licensee to transfer for free to the licensor the inventions or improvements that may be obtained through the use of the licensed technology;
- Require payment of royalties to the owners of patents for patents that are not used;
- Prohibit the licensee to export the licensed product, unless justified for the protection of the legitimate interest of the licensor such as exports to countries where exclusive licenses to manufacture and/or distribute the licensed product(s) have already been granted;
- Restrict the use of the technology supplied after the expiration of the technology transfer arrangement, except in cases of early termination of the technology transfer arrangement due to reason(s) attributable to the licensee;
- Require payments for patents and other industrial property rights after their expiration or termination arrangement;
- Necessitate that the technology recipient shall not contest the validity of any of the patents of the technology supplier;
- Limit the research and development activities of the licensee designed to absorb and adapt the transferred technology to local conditions or to initiate research and development programs in connection with new products, processes, or equipment;
- Prevent the licensee from adapting the imported technology to local conditions, or introducing innovation to it, as long as it does not impair the quality standards prescribed by the licensor;
- Exempt the licensor for liability for non-fulfillment of his responsibilities under the technology transfer arrangement and/or liability arising from third party suits brought about by the use of the licensed product or the licensed technology; and,
- Other clauses with equivalent effects.

The following are the mandatory provisions required under Section 88:

- The laws of the Philippines shall govern the interpretation of the contract and, in the event of litigation, the venue shall be the proper court in the place where the licensee has its principal office;

- Continued access to improvement in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement;

- In the event the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) or the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC) shall apply and the venue of arbitration shall be the Philippines or any neutral country; and,

- The Philippine taxes on all payments relating to the technology transfer arrangement shall be borne by the licensor.

Direct Marketing

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In the Philippines, a distinction is made between direct selling and direct marketing. The basic difference lies in the closeness of contact. Whereas direct marketing is usually conducted through phone, e-mail, direct mail or courier; direct selling involves personal contact with a prospective customer. Direct selling agents typically visit customers at home, at the workplace, or at points of contact other than a permanent retail establishment.

The direct selling medium covers a wide array of products including cosmetics, apparel, food supplements, fashion jewelry, books, appliances, home items, personal care products and toys. A direct selling agent may present to one or several customers at a time.

In recent years, the multi-level marketing approach to direct selling has become increasingly popular. This approach involves a “down line” system in which an agent recruits other agents and obtains a share of the earnings or commissions from each of the employees, as well as from others whom are brought into the workforce network.

The Direct Selling Association of the Philippines (http://www.dsap.ph) currently has 31 members. U.S. firms such as Amway, Avon, Herbalife, Fuller Life, Nu Skin, Mary Kay, Reliv, and Sunrider have established direct selling distributorship networks in the country.

The Direct Marketing Association of the Philippines (DMAP) has more than 100 active corporate members. Direct mail (via post or courier service) continues to be a primary mode of direct marketing. In recent years, however, the local market has been exposed to a wider array of direct marketing media such as product sampling, business reply envelopes, fax-back forms, marketing via e-mail, the internet, telemarketing, leafleting, establishment of membership clubs, and [recently] Short Message Service or SMS.

The Consumer Code of the Philippines covers the legalities of direct selling and direct marketing. Firms interested in engaging in either direct selling or direct marketing can coordinate their activities with the Department of Trade and Industry (DTI).

Ms. Zenaida Cuison-Maglaya
Undersecretary for Consumer Welfare and Business Regulation Group (GWBRG)
Management Services Group (MSG)
Department of Trade and Industry
6F Trade and Industry Building
361 Sen. Gil J. Puyat Avenue, Makati City
Tel: (632) 976 5729; 899 7450
Fax: (632) 751-3335
E-mail: useczcm@dti.gov.ph
Website: http://www.dti.gov.ph

Joint Ventures/Licensing Return to top

Businessmen could begin operations in the Philippines through joint ventures with local enterprises.

The GPH no longer requires submission of licensing/technology transfer arrangements for approval and registration by the Intellectual Property Office. Voluntary submission is strongly encouraged to ensure compliance with Sections 87 and 88 of the Intellectual Property Code, since non-conformance with Section 87 on Prohibited Clauses and Section 88 on Mandatory Provisions automatically renders the arrangement unenforceable. The Intellectual Property Office may allow exemption from conformance with Section 87 and 88 after an evaluation under the provisions of Section 91 on Exceptional Cases.

The Intellectual Property Code of the Philippines defines technology transfer arrangements as contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a service including management contracts; and the transfer, assignment, or licensing of all forms of intellectual property rights, including licensing of computer software except computer software developed for the mass market. Distributorship agreements will be included in the coverage if this includes the licensing of trademarks. The provisions of the Intellectual Property Code cover retainership of firms or individual technicians, who render management and technical consultancy services.

Selling to the Government Return to top

All procurement for the Philippine government (departments, bureaus, offices and agencies, state universities and colleges, government - owned and/or-controlled corporations, government financial institutions, and local government units) is governed by Republic Act (RA) No. 9184 or the Government Procurement Reform Act (GPRA).

The GPRA, in all cases, observes the following principles on government procurement (text as stated in Section 3 of RA 9184):

- Transparency in the procurement process and in the implementation of procurement contracts.
- Competitiveness by extending equal opportunity to enable private contracting parties, who are eligible and qualified to participate in public bidding.
- Streamlined procurement process that will uniformly apply to all government procurement. The procurement process shall be simple and made adaptable to advances in modern technology in order to ensure an effective and efficient method.
- System of accountability where both the public officials directly or indirectly involved in the procurement process, as well as, in the implementation of procurement contracts and the private parties that deal with government are, when warranted by circumstances, investigated and held liable for their actions relative thereto.
- Public monitoring of the procurement process and the implementation of awarded contracts with the end in view of guaranteeing that these contracts are awarded pursuant to the provisions of this Act and its implementing rules and regulations, and that all these contracts are performed strictly according to specifications.

The Procurement Service (PS), an attached agency of the Department of Budget and Management (DBM), is tasked with the central procurement of Common-Use Supplies for the Government in accordance with Letter of Instruction No. 755 and Executive Order No. 359 series of 1989. Government agencies undertake their own procurement for items, general support services, infrastructure projects, and consulting services necessary in the transaction of public businesses or in the pursuit of any government undertaking. As such, it is not only the PS that implements the policy decision of the Government Procurement Policy Board (GPPB), but all government agencies.

The Inter-Agency Bids and Awards Committee (IABAC) is a body that procures for PS in line with its function as the central procurement agency of the government for common-use supplies. It also procures non-common supplies upon request of other government agencies.

The Government Procurement Policy Board (GPPB) issues policies, rules, and guidelines relative to government procurement. The GPPB was established by virtue of RA 9184 as the central policy-making body of Government. It is composed of the department heads of twelve national government agencies and one representative from the private sector. It is chaired by the Secretary of the Department of Budget and Management and the Secretary for Socio-Economic Planning (Director General) of the National Economic and Development Authority acts as the alternate chair.

Its duties and responsibilities under Section 63 of RA 9184 may be summarized into three main functions:

- *Policy-making*, the authority to issue and amend the IRR of RA 9184 and prepare generic procurement manuals and standard bidding forms;

- *Capacity Building*, the responsibility to establish a sustainable training program; and

- *Monitoring*, the authority to review the effectiveness of the procurement law and to assist procuring entities improve their compliance.

The GPPB website (http://www.gppb.gov.ph) also provides up to date resolutions, guidelines, standard bidding documents, procurement manuals, and opinions issued by the GPPB.

Projects funded by the Philippine government have a national ownership requirement. 60% Filipino ownership is required for goods and consulting services. In the case of procurement of infrastructure projects, the requirement is for at least 75% Filipino ownership. However, the Implementing Rules and Regulations (IRR) of RA 9184 recognize several exceptions to the national ownership requirement. More information on these exceptions is available from the IRR – Sections 23.5.1.2 (Goods), 23.5.2.2 (Infrastructure Projects) and 24.3.3 (Consulting Services). A copy of RA 9184 and the IRR maybe requested from the U.S. Commercial Service in Manila.

Section 4 of RA 9184 and its IRR states that all Philippine government procurement is subject to the governing principles of government procurement (as indicated above). This applies to all procurement regardless of the source of funds, whether local or foreign. However, when a procurement project is funded by a treaty or international or executive agreement which specifically provides for the application of a different set of procurement rules, such rules may apply.

Section 25 of RA 9184 and its IRR allow bidders to submit their bids through their duly authorized representatives. Unless acting as agent of the manufacturer, distributors are considered as a separate entity from the manufacturer, and are thus evaluated on the basis of its own legal, technical, and financial capacity.

Philippine government procurement typically adheres to the following process:

- Prospective bidders to simultaneously submit their eligibility and bid requirements.
- The bidding process uses the two-envelope system. The first envelope is opened to determine the bidders' compliance with the project's specific requirements. The Bids and Awards Committee (BAC) will disqualify a bidder with incomplete documents.
- The second envelope is opened only for bidders, who have complied with the submission of the first envelope's requirements. After opening the second envelope, the BAC will evaluate all complying bids.
- Based on a detailed evaluation, bids will be ranked according to total calculated bid price. The total calculated bid price is the price evaluated and corrected for errors, discounts, foreign exchange adjustments, and other minor modifications.
- The BAC then compares the responses with the lowest calculated bid price versus the project's requirements. The contract will be awarded to the lowest calculated responsive bid.

More detailed information on the bid process is available from Sections 25, 30, 32, 33, and 34 of RA 9184 and it's IRR.

Public procurement by the Philippines covers goods, infrastructure projects, and consulting services necessary in the transaction of public businesses or in the pursuit of any government undertaking. Opportunities to sell to the Philippine government range from transport infrastructure projects, military and defense equipment and spare parts to information technology and automation. The major government purchasers are the Department of Transportation & Communication, Department of Public Works & Highways, Department of National Defense, Department of Education, Department of Health, National Power Corporation, National Electrification Administration, National Housing Authority, National Irrigation Administration, and Local Water Utilities Administration.

Another consideration when selling to the Philippine government is the country's Countertrade Program. The Philippine International Trading Corporation (PITC), a government-owned and controlled corporation (GOCC) created in 1973 by Presidential Decree (PD) 252, is the lead implementing agency of the Philippine Countertrade Program. Pursuant to Executive Order (EO) 120, all government procurement of foreign capital equipment, machinery, products, goods, and services valued at US$1 million or more should include a countertrade agreement. Countertrade can be in the form of any of the following arrangements:

- Counter purchase or Reciprocal Trade: Foreign supplier reciprocally commits to purchase Philippine goods or services to be exported to the supplier's country or a third country.
- Product Buy Back: The foreign supplier of the equipment or machinery is paid with the resulting product manufactured by the subject equipment.
- Offset: The foreign supplier commits to one of the following activities: an investing, technology-transfer, assisting in establishing new industries, or employment creation in the Philippines
- Trade-for-Debt Swap: A loan by a government agency from a foreign creditor is settled partially or in full by way of product, goods, or services sales to be provided by a third party.
- Any combination of the first four.

Distribution and Sales Channels

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Philippine distribution and sales channels vary from industry to industry. Stocking distributors import consumer goods for resale to retailers. Capital equipment imports usually go through an agent or distributor before reaching the end-user. Some end-users import directly. In general, the use of local agents or distributors greatly improves the opportunity for market success of an exporter, as they serve as important market links. Local agents regularly monitor the development of bidding processes and procurement opportunities. It is critical that U.S. suppliers support their Philippine representatives through frequent communication, regular training, and promotional assistance.

There are currently two types of importers in the Philippines: stocking distributors and indenters. Stocking distributors are bound by a contract to buy and sell prescribed number of items as stated in their agreement with the foreign supplier. Indenters, on the other hand, act as brokers between foreign suppliers and the end user, thus saving on capital outlays for expensive equipment and avoiding the need to stock high-priced products. Usually, a buyer who orders from an indenter already has the financing for the goods.

Customers will often open a letter of credit (L/C) for direct purchase from a foreign exporter. Under these arrangements, the local representative or agent gets a commission for the sale, known as an indent sale. Indent agents also handle after-sales service support.

In bidding situations, local agents are effective marketing tools. In selecting local firms as agents, U.S firms should consider whether the local firm is licensed or registered by the implementing agency, or whether they have a track record of similar projects. Many U.S. firms use the U.S. Commercial Service's International Company Profile (ICP) program to assess a prospective agent's capability and reputation in the market.

Despite having the presence of a local distribution/sales agent, it is critical that foreign manufacturers visit the country and familiarize themselves with the market. Foreign suppliers must also establish a strong personal relationship with the end customer.

Manila, the country's capital, is a hub for industrial and financial activity, transportation and communications, trade, and educational services. Most of the Philippine's national importers and distributors are located in Metro Manila. Within Manila, Makati City is known as the central business district. Makati is home to many multinational company headquarters, commercial bank head offices, and high-end shopping establishments. The majority of high-end retail brands have flagship stores located in Makati City. Other key business areas in Metro Manila include Taguig City and Ortigas Center in Mandaluyong City.

Outside of Manila, other major regional centers are Cebu City, Iloilo, Davao, and Zamboanga. Cebu City, the third largest city in the Philippines, and Iloilo are the primary trading centers for the middle portion of the archipelago (the Visayas Region). Davao, the second largest city in the Philippines, enjoys a near trade monopoly in Southern Mindanao, due to the numerous land and water connections to nearby provinces. Zamboanga City functions partly as an interregional center.

Selling Factors/Techniques

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Understanding the local business culture will help U.S. suppliers' gain and maintain market leadership. First, it is recommended that U.S. business partners conduct adequate due diligence before selecting local distributors, agents, or representatives, as these are crucial market linkages. In this regard, the U.S. Commercial Service in Manila (CS Manila) assists U.S. exporters in finding representatives overseas through its various services which include: International Partner Search (IPS), Gold Key Service (GKS), and International Company Profile (ICP) reports, among others. After careful selection of partners, U.S. suppliers should be prepared to work closely with their local representatives.

U.S. suppliers are encouraged to visit the Philippines on a regular basis in order to become familiarized with and understand the latest market trends and developments, to show support for their local representatives, and to pay courtesy calls on major accounts. Meanwhile, local representatives are expected to make regular customer calls, and to update U.S. firms of recent industry trends and developments. This will help in identifying sales leads and other business opportunities.

The development of training programs for customers and distributors; advertising and product promotional support; and participation in trade fairs, exhibitions, and product seminars are also important tools for initiating market entry; increasing product awareness and maintaining industry prominence. In this regard, CS Manila offers low-cost, customized business facilitation services to assist U.S. companies, particularly those that are new-to-market.

In many instances, establishing smooth interpersonal relations with Philippine clients is the key to clinching a sale. An overly-aggressive demeanor may not be appropriate when doing business in the Philippines, and even less so in settling sales disputes. Clients tend to favor partners who are aware of and abide by the nuances of local business culture.

More often than not, there is a vague distinction between social and business contacts. As such, referrals from prominent members of social, political, and business circles can prove to be very useful in facilitating introductions. It is also critical to follow-up on initial sales calls. Several follow-up efforts may be needed before an actual order is placed.

U.S. firms may also work with their local partners in liaising with relevant professional, industry and trade associations/ organizations, as well as business chambers such as the American Chamber of Commerce of the Philippines (AmCham). Organizations such as these often serve as advocates for industry-specific issues and concerns. Moreover, many of these organizations hold regular events such as trade shows, conferences, or conventions, which feature the latest products and technologies and are often a useful venue for networking and business matchmaking.

English is the main language used for trade and sales correspondence. Sales literature (e.g., product brochures, catalogs, and advertisements) and instructions on product use, installation, and labeling are mostly written in English. In some instances, instructions or product advertising should be translated into Filipino/Tagalog or the regional/provincial dialect (as in the case of pesticides and other agricultural inputs) to achieve wider reach and impact. For imported items, price quotations in dollars are acceptable, but a Philippine peso equivalent should also be noted.

Electronic Commerce Return to top

The Philippine E-Commerce Law-Republic Act 8792 (June 2000) has made the Philippines a player in the global e-commerce marketplace. Both commercial and government activities fall under the scope of this legislation.

E-commerce remains at infancy level and holds significant growth potential. Slow e-commerce growth can be attributed to several factors including:

- Low PC Penetration: PC penetration is estimated at 15 percent. Internet usage is estimated at 30 percent.

- Low Broadband Penetration: More Filipinos access the web through internet cafés and their workplace. Broadband access from home is used by just 1% of the population.
- Security Concerns: The Filipino consumer requires further education on security measures in place that can protect their online transactions. This will establish increased levels of confidence in online banking, purchasing, and selling.
- Lack of a "data protection" law that will promote user confidence in electronic commerce
- Low Credit Card Penetration: Credit card usage is still limited as most Filipinos prefer cash transactions.

Below are some examples of Philippine B2B websites:

- www.b2bpricenow.com - A trading portal with close to 11,000 members, most of which are cooperatives. Provides on market information for agriculture, consumer manufactures, and industrial manufactures. Officially endorsed by the Philippine Congress as the Philippine e-Marketplace for Agriculture and Fisheries.
- www.sourcepilipinasonline.com - A multi-industry B2B horizontal e-marketplace powered by Oracle's latest exchange technologies.
- www.asiarx.com - Caters primarily to the pharmaceutical and medical supply industry and is unique in its regional scope (covers eleven regional countries, including the Philippines).

Other B2C portals include:

- MyRegalo.com and Divisoria.com for general merchandise
- SME.com.ph for consumer, agricultural, and industrial merchandise
- Regaloservice.com for Gift delivery service
- Bidshot.com and PinoyAuctions.com for auction items
- National Bookstore, Fully Booked, Goodwill, and PowerBooks for books

Other Philippines search engines and web directories:

- http://www.alleba.com - Searchable web directory of Internet resources covering many aspects of the **Philippines**
- http://www.pinoysites.org - Web directory and search engine of Filipino and Philippine based websites
- http://www.filipinolinks.com - Philippine web directory
- http://www.yehey.com - Philippine search engine
- http://www.eyp.ph - The largest online yellow pages in the Philippines

B2C websites are experiencing rapid growth. Opportunities lie in banking/financial services, bill payment, travel bookings, shopping, movie reservations, mobile phone credit/load, and others. The advantage of these services is the convenience afforded in transacting from home, the office, or an internet café.

Online banking is gaining popularity and will continue to experience strong growth as more Filipinos gain access to the internet. Following are banks who currently offer online transactions:

Bank of the Philippine Islands (www.bip.com.ph)
Citibank Philippines (www.citibank.com.ph)
Union Bank (www.unionbankph.com)
Metrobank (www.metrobank.com.ph)
HSBC (www.hsbc.com.ph)
Philippine National Bank (www.pnb.com.ph)
Banco De Oro (www.bdo.com.ph)
Allied Bank (www.alliedbank.com.ph)
United Coconut Planters Bank (www.ucpb.com)
Philippine Bank of Communications (www.pbcom.com.ph)
PSBank (www.psbank.com.ph)

In the travel industry, major Philippine airlines (e.g., Philippine Airlines, Cebu Pacific, Air Philippines, Zest air and Southeast Asian Airlines) have introduced online booking and electronic ticketing or "e-tickets" services for domestic and international flights. More and more Filipinos are now booking online. Online transactions are not yet as popular in the land and sea transport sectors where most transactions are still paper-based and conducted through sales and ticketing agents. Following are websites of Philippine airlines with online transaction capability:

Philippine Airlines (www.philippineairlines.com)
Cebu Pacific – (www.cebupacificair.com)
Southeast Asian Airlines (www.flyseair.com)

The "online coupon" or group buying industry has been gaining a lot of attention from Filipino consumers. U.S. firms, Groupon and Living Social, have bought Philippine companies in the same industry and have launched their brand in the country. Industry estimates say that the "online coupon" or group buying industry in the Philippines has close to a hundred companies. The following is a breakdown of the market leaders and their estimated market share as of the third quarter of 2011:

Company Name	**Market Share**
MetroDeal	49%
Ensogo (A Living Social Company)	22%
Cash Cash Pinoy	14%
eBay.ph	7%
Groupon	5%
ph-Deals	3%

E-learning is an emerging market in the Philippines, and has vast potential for growth. Usage is still sporadic, but cuts across several industries, business sizes, school levels, and locations. Blended learning (i.e., combining technology with personal interaction) is still the preferred mode for implementing e-learning programs, whether in the corporate or academic environment. Most users currently represent only a small segment of the Philippine education and business communities. There are no stereotypical e-learners, schools large and small can be found using the technology, and while most users are concentrated in the Metro Manila area, some activity is beginning in secondary cities. Filipino culture has a strong preference for face-to-face interaction. Certain barriers exist, most notably infrastructure (e.g., internet penetration is still low and basic education requirements like books and classrooms are often not met at the national level).

Furthermore, because the market is young, most end users still need to be educated on e-learning's value proposition. Recently, the Philippines is pursuing the passage of the "Open Learning and Distance Education Act of 2011," which seeks to make distance learning more accessible to Filipinos and institute policies that ensure the quality of these distance-education programs. Tertiary institutions in the Philippines offering distance-learning programs include the Philippine Women's University (PWU), De La Salle University, Polytechnic University of the Philippines and the Pamantasan ng Lungsod ng Maynila.

Trade Promotion and Advertising

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The Philippines is a brand-conscious market. Advertising plays a significant part in promoting the sale of most consumer goods. Most of the leading advertising agencies in the country are affiliated with international agencies. Through the years, advertising in the Philippines has gone beyond the traditional tri-media outfits (i.e., print, TV and radio). Local advertisers now also make use of electronic billboards, web advertising, mass transit or public transport advertising, special events and product launches, direct marketing and other tools to promote their products. Although some advertisements utilize Western image models or concepts, many market segments are "localized" versions of product advertising and brand-building. The use of celebrity endorsers or other high-profile personalities is a well-tested formula for local advertising.

As of December 2008, the National Telecommunications Commission (NTC) reported that broadcast media in the Philippines is comprised of 383 AM radio stations, 659 FM radio stations, 297 TV stations (VHF and UHF), 30 TV relay stations, 56 TV translator stations, 3 TV stations operating at 40 GHz, 873 cable stations (CATV), 1 Multi-Channel and Multi-point Distribution System (MMDS) stations.

Print media includes more than nine daily newspapers, 19 national tabloids, over 100 provincial newspapers, and more than 100 magazines and publications covering a diverse range of themes (e.g., entertainment, leisure and lifestyle, sports, hobbies and recreation, business and trade, religion, fashion, culinary, specific market segments, health, travel, IT, agriculture, etc.). These are distributed in weekly, fortnightly, monthly, bi-monthly, or annual issues. Provincial newspapers and regional publications are additionally available.

Internet penetration has recently increased, but is still relatively low, compared to Asian neighbors such as Singapore, Taiwan and Japan. Online advertising is gaining some popularity as social networking/marketing has taken a step forward to capture the younger Filipino market. In recent years, web-based advertising is typically being placed on the most visited local websites (online news and entertainment media, local search portals, etc.). Although most of the major companies in the Philippines maintain their own respective websites, the content quality, level of sophistication, and interaction with site visitors is varied.

Text messaging (also referred to as SMS or short message service) is gaining popularity as an advertising medium because it is relatively inexpensive and allows businesses to reach out to highly targeted consumers. The Philippines has 70 million mobile subscribers with the ability to receive text messages. Large companies can send instant promotional messages via text message which serve as an effective viral marketing strategy. The use of other social networks such as Facebook and Twitter have also gained momentum in reaching out to niche markets for consumer brands, especially among young people.

Over the last few years, local organizers have initiated several industry-specific trade shows and exhibitions. These trade promotion activities cater to a wide array of sectors including construction, clean energy, health and lifestyle, furniture and home décor, food and food equipment, regional products, giftware, franchise opportunities, education, industrial goods, automotive, maritime and defense, sporting goods, apparel, telecommunications and IT, among others. Popular venues for holding these events include shopping malls (e.g., SMX Convention Center within the SM Mall of Asia complex), trade halls (e.g., World Trade Center and the Philippine Trade Training Center), and convention centers. The U.S. Commercial Service also participates in some of the more prominent local trade shows and regularly informs U.S. companies when such opportunities arise.

The U.S. Commercial Service in Manila offers web-based information and advertising services for U.S. companies, including:

- The Business Service Provider (BSP) is a listing of Philippine-based companies that can provide U.S. companies with business facilitation services. The network includes contacts in advertising, consulting, legal, real estate, transportation services, logistics, travel, and other business services useful to U.S. companies doing business in the Philippines. A complete listing of companies and links to their respective websites can be found on: http://export.gov/philippines/businessserviceproviders/index.asp

- The Featured U.S. Exporters (FUSE) is a catalogue of U.S. products featured on websites of U.S. Commercial Service offices around the world. FUSE enables U.S. companies to target specific country markets in the local language of business. Catalogue advertisements are currently offered free of charge to qualified U.S. exporters seeking trade leads or representation in over 30 markets around the world. Information on how to join the FUSE program can be found on: http://www.buyusa.gov/home/fuse.html

- Local Fair and Trade Show Organizers:
  - Global Link Philippines – http://www.globallinkph.com
  - Leverage International (Consultants) Inc. – http://www.leverageinternational.com
  - Primetrade Asia Incorporated – http://www.primetradeasia.com
  - Worldbex Services International – http://www.worldbex.com
  - Fiera de Manila - http://www.fmi.com.ph

- Major Local Newspapers:
  - Businessworld – http://www.bworldonline.com
  - Manila Bulletin – http://www.mb.com.ph
  - Manila Standard Today – http://www.manilastandardtoday.com
  - The Manila Times – http://www.manilatimes.net
  - The Philippine Daily Inquirer – http://www.inquirer.net

- The Philippine Star – http://www.philstar.com
- The Business Mirror – http://www.businessmirror.com.ph

- Major Radio / TV Stations:
    - ABS-CBN (TV) / DZMM (Radio) – http://www.abs-cbn.com
    - GMA (TV) / DZBB (Radio) – http://www.igma.tv

Pricing

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Typical retail markups average 30 percent of invoice value, but markup percentages range from a minimum of 7 to 10 percent for regulated goods such as glass, aluminum, etc. to 10 to 15 percent for most consumer goods and as much as 30 percent for high-end or luxury items. These rates enable distributors, wholesalers, and retailers to recover expenses incurred in importing equipment, raw materials, or finished goods, such as import duties, Value Added Tax (VAT), discounts to customers, commissions to company-employed agents and independent provincial dealers, warehousing fees, shipping charges (some are charged to the importer), and other Bureau of Customs fees.

Retailers typically earn a 20 to 30 percent profit margin on most non-food retail items, but margins may vary widely depending on mutually agreed sale terms and conditions.

Generally, all transactions involving the sale of goods, properties and/or services are subject to Value Added Tax or VAT. VAT is imposed on the gross selling price (for sale of goods) and gross receipts (for the rendering of services). There has been no change to this law. Since February 2006, the Expanded Value Added Tax (EVAT) Law increased VAT from 10 to 12 percent across the board. The VAT on imported goods is based on the total value used by the Philippine Bureau of Customs in determining tariffs and duties.

In most cases, VAT is already imputed in the final invoice price as it is billed to the buyer, unless the exporter stipulates that it is not included. Typically, a foreign exporter will collect VAT from his Filipino buyer and remit the tax to the government. If the Philippine buyer re-sells the product locally, such as in a distributor relationship, the local re-seller passes the VAT onto the local buyer in the invoice price.

Sales Service/Customer Support

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After-sales service and support is extremely important to the Philippine market. It is imperative for U.S. vendors to provide adequate support during and after the warranty period in order to provide utmost customer satisfaction and build brand equity. For example, the Procurement Law prescribes that the procuring entity retains 10 percent of total project cost for the duration of the warranty period. The 10 percent will only be turned over to the vendor after it has completed its warranty commitment.

U.S. firms with substantial sales in the Philippines usually establish a branch office, which can provide after-sales service and support to their local distributors or resellers. The strategy of having local presence provides for a competitive advantage. An alternative to having a Philippine office is supporting the Philippine market from an Asian regional office located either in Singapore, China, or Taiwan. The proximity of these Asian economies can prove to be advantageous to U.S. companies.

Protecting Your Intellectual Property

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Protecting Your Intellectual Property in the Philippines:

Several general principles are important for effective management of intellectual property ("IP") rights in the Philippines. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in the Philippines than in the U.S. Third, rights must be registered and enforced in The Philippines, under local laws. Your U.S. trademark and patent registrations will not protect you in the Philippines. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Philippine market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in the Philippines. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Philippine law. The U.S. Commercial Service can provide a list of local lawyers upon

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppels, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in the Philippines require constant attention. Work with legal counsel familiar with Philippine laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Philippine and U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at www.StopFakes.gov.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: 1-202-707-5959.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.

- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers the Philippines at: http://manila.usembassy.gov/contact.html

Due Diligence

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It is wise for a U.S. company to confirm the reputation of a Philippine entity prior to entering into a business relationship. In this regards, Philippine law and accounting firms, as well as trade associations, serve as excellent resources. Financial statements submitted by Philippine companies to the Philippines' Securities and Exchange Commission are also good sources of information.

To help with this important process, the U.S. Commercial Service in Manila offers the International Company Profile (ICP) program. The ICP provides information on Philippine companies; including company background and product information, references, financial data/creditworthiness, market information and general outlook, and reputation. For more information, or to order an ICP, please contact the U.S. Commercial Service in Manila office (http://export.gov/philippines/contactus/index.asp).

Alternately, you may visit a U.S. Department of Commerce office. (Visit http://export.gov/usoffices/index.asp to find a location near you).

Local Professional Services

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http://export.gov/philippines/businessserviceproviders/index.asp

Web Resources

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http://www.sec.gov.ph
http://www.dti.gov.ph
http://www.boi.gov.ph
http://www.peza.gov.ph
http://www.bir.gov.ph
http://www.sss.gov.ph
http://www.emb.gov.ph
http://www.gppb.gov.ph
http://www.pldt.com.ph
http://www.smart.com.ph

http://www.globe.com.ph
http://www.maynilad.com.ph
http://www.meralco.com.ph
http://www.dsap.ph
http://www.b2bpricenow.com
http://www.sourcepilipinasonline.com
http://www.asiarx.com
http://www.myregalo.com
http://www.sme.com.ph

http://www.regaloservice.com
http://www.alleba.com
http://www.pinoysites.org
http://www.filipinolinks.com
http://www.yehey.com
http://www.eyp.ph
http://www.bip.com.ph
http://www.citibank.com.ph
http://www.unionbankph.com
http://www.metrobank.com.ph
http://www.hsbc.com.ph
http://www.pnb.com.ph
http://www.bdo.com.ph
http://www.alliedbank.com.ph
http://www.ucpb.com
http://www.pbcom.com.ph
http://www.psbank.com.ph
http://www.philippineairlines.com
http:// www.cebupacificair.com
http://www.flyseair.com
http://www.globallinkph.com
http://www.leverageinternational.com
http://www.primetradeasia.com
http://www.worldbex.com
http://www.fmi.com.ph
http://www.bworldonline.com
http://www.mb.com.ph
http://www.manilastandardtoday.com
http://www.manilatimes.net
http://www.inquirer.net
http://www.philstar.com
http://www.businessmirror.com.ph
http://www.abs-cbn.com
http://www.igma.tv
http://www.stopfakes.gov
http://apps.americanbar.org/intlaw/intlproj/iprprogram_consultation.html
http://export.gov/philippines/contactus/index.asp
http://www.buyusa.gov/home/us.html
http://export.gov/philippines/businessserviceproviders/index.asp

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

Agricultural Sectors

Leading Commercial Sector #1 Information Technology

Overview

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	2010*	2011** (estimated)	2012** (estimated)	2013 ** (estimated)
Total Market Size	(15,156,231)	(15,914,043)	(16,709,745)	(17,545,232)
Total Local Production	-	-	-	-
Total Exports	29,316,192	30,782,002	32,321,102	33,937,157
Total Imports	14,159,961	14,867,959	15,611,357	16,391,925
Imports from the U.S.	2,840,181	2,982,190	3,131,300	3,287,865
Exchange Rate: 1 USD	45.1097	43.3131	42.6280	42.5000

Notes:
**Trade statistics for 2010 are official figures.*
***Statistics for 2011, 2012, and 2013 are unofficial estimates.*

Data Sources:

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Total Local Production: No statistics available
Total Exports: Philippines National Statistics Office
Total Imports: Philippines National Statistics Office
Imports from U.S.: U.S. Census
Exchange Rate: Listed exchange rates are not used in the above calculations.
Exchange rate shows average value of Philippine Peso to U.S. Dollar. (Source: Central Bank of the Philippines).

One of the major contributors to the IT sector growth in the Philippines is the IT Enabled – Business Process Outsourcing (BPO) industry. In 2011, the industry contributed 5.4% to the country's gross domestic product (GDP) and yielded approximately US$11 billion in export revenues. It is among the largest employers in the country with about 640,000 direct jobs and approximately 1.5 million indirect jobs (jobs serving the IT-BPO sector, i.e. transportation, food service, construction). It is said that the Philippines has recently overtaken India as the call center capital of the world.

According to the Information Communications Technology Office (ICTO), the country's goals by 2016 are (1) become a world leader in Healthcare Information Management Outsourcing, Finance and Accounting Outsourcing, HR Outsourcing, and Animation and Game Development, (2) increase GDP contribution to 8.6%, (3) generate US$25 billion in export revenue and (4) create four million direct and indirect jobs.

The Philippines is emerging as one of the world's top social media users. It is currently the 8th largest country on Facebook with a total of 26.7 Million users as of December 8, 2011[i]. It is estimated that there are 1.4 billion Twitter and 981 million Facebook posts from Filipinos in a day. This is indicative of the continuous growth of internet users of the Philippines, which is now estimated to have reached almost 30 million in 2011[ii].

The IT sector remains largely American-dominated. HP is the market leader for laptops and competes heavily with Taiwanese brand, Acer. Dell was a late market entrant, but still has good following. Apple products are doing very well in the market. Avaya is known in the internet protocol (IP) market space, while Cisco is a leader in networking systems. IBM is known for servers and services, while Oracle dominates the database space. Symantec and McAfee continue to do well in the IT security market. Cloud computing continues to gain popularity with more SME's appreciating its advantages.

Piracy continues to be a major problem in the Philippines. Industry estimates that 70-80% of software sold in the Philippines is pirated. The Philippines remains on the Watch List of the U.S. Trade Representative's Special 301 Report.

The large export numbers of the Philippines are attributed to the local assembly of optical disk drives, laptops, inkjet printers, and printed circuit boards. These products are assembled in export processing zones for export and not for domestic consumption.

In 2011, the Philippine information communications technology (ICT) industry was surprised by the realignment of ICT-related government agencies. The primary government agency tasked to promote ICT was the Commission on Information and Communications Technology (CICT). The CICT was an agency under the Office of the President. The CICT Chairman holds a cabinet position. In June 2011, the CICT was reorganized into the Information Communications Technology Office (ICTO). The ICTO is an office under the Department of Science and Technology (DOST). The ICTO Executive Director is an Undersecretary of DOST. CICT has been actively lobbying for the formation of a Department of Information and Communications Technology (DICT), which would pave the way for the allocation of more resources in ICT development. In recent news reports, the DOST Secretary was quoted as saying that there is no need for an independent ICT department to be created.

Sub-Sector Best Prospects Return to top

- IT Security
- Networking Systems/Solutions (servers, LAN, WAN)
- Enterprise Software (CRM, ERP)
- Broadband Solutions
- Wireless Applications
- Innovative Applications
- Workforce Management
- Software-as-a-Service (SAAS)

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The Philippines has begun preparations for 2013 automated elections. The Commission on Elections (COMELEC) has opted not to purchase the automated election system (AES) it leased for the 2010 elections. Project details are expected to be released by the 2nd quarter of 2012.

Financial institutions (led by banks) and telecom companies are large IT investors. The small and medium sized businesses of the Philippines are beginning to invest more in IT as well. Industry sources predict a 20% growth in enterprise sales, 55% for retail sales and 25% for commercial.

Private sector IT customers are expected to continue their demand for data security and management systems, enterprise applications, data storage, and network equipment.

Filipino consumers continue to have a preference for smaller, handier devices such as:

- Ultra-mobile personal computers (UMPCs) such as the mini-laptops and netbooks
- Mobile-phone handsets capable of surfing the Internet
- Ultralow-voltage laptops that are lighter, slimmer, and more powerful
- The first generation of mobile Internet devices (MIDs).

Web Resources Return to top

Commission on Information and Communications Technology (CICT) - http://www.cict.gov.ph
Business Processing Association Philippines (BPAP) - http://www.bpap.org
Computer Manufacturers Distributors and Dealers Association of the Philippines (COMDDAP) - http://www.comddap.org

[i] Source: http://www.checkfacebook.com
[ii] Source: internetworldstats.com

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Leading Commercial Sector #2 Telecommunications

Overview

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Unit: USD thousands

	2010*	2011** (estimated)	2012** (estimated)	2013** (estimated)
Total Market Size	2,372,134	2,490,741	2,615,278	2,746,042
Total Local Production	-	-	-	-
Total Exports	773,380	812,049	852,651	895,284
Total Imports	3,145,514	3,302,790	3,467,929	3,641,326
Imports from the U.S.	120,670	126,704	133,039	139,691
Exchange Rate: 1 USD	45.1097	43.3131	42.6280	42.5000

Notes:
**Trade statistics for 2010 are official figures.*
***Statistics for 2011, 2012, and 2013 are unofficial estimates.*

Data Sources:
Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Total Local Production: No statistics available
Total Exports: Philippines National Statistics Office
Total Imports: Philippines National Statistics Office
Imports from U.S.: U.S. Census
Exchange Rate: Listed exchange rates are not used in the above calculations. Exchange rate shows average value of Philippine Peso to U.S. Dollar. (Source: Central Bank of the Philippines).

The Philippines has an estimated population of 99 million, 85 million of which use a mobile device. This leads to 1.7 billion text messages sent by Filipinos everyday. The Philippine telecommunications industry is driven by strong consumer demand for mobility. Broadband users in the Philippines grew to an estimated five million subscribers by the close of 2011. This is expected to post 150-200 percent growth per annum. Broadband growth is driven primarily by the Filipino's attachment to social networking sites (Facebook, Twitter, Friendster, etc.). Wireless broadband, accessed through multiple technologies (WiFi, WiMax, and 3G) pushed the growth of the sector.

The major telecom carriers in the local market are - Philippine Long Distance Telephone Company or PLDT (PLDT's mobile subsidiary is Smart Communications), Globe Telecom, Digital Telecom (mobile subsidiary is Sun Cellular), and Bayan Telecommunications. In October 2011, the telecom industry regulator, National Telecommunications Commission (NTC), approved PLDT's acquisition of Digitel. San Miguel Corporation (SMC), the country's largest food conglomerate, is the newest entrant to the Philippine telecommunication landscape. SMC's telecom investment is expected to stir up the industry.

The broadcast sector is dominated by ABS-CBN Broadcasting, GMA Network and TV5. TV5 is owned by telecom giant, PLDT. ABS-CBN is owned by the Lopez Group who is behind Bayan Telecommunications. All these broadcast networks are expected to invest heavily in digital television transmission equipment.

Sub-Sector Best Prospects

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- (I Next Generation Network
- Wireless Technology
- Broadband Technology
- Outside Plant Equipment
- Innovative Content
- Broadcast Transmitters
- Production Equipment
- Digital Terrestrial Transmission

Opportunities

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Investments in the telecom and broadcast industries will lead to significant opportunities in the sector. Aggressive newcomers are boosting demand for imported equipment.

The San Miguel Corporation now has controlling stakes in several existing telecom companies such as Eastern Telecom, Liberty telecom, Bell Telecom, and Express Telecom. SMC is expected to roll-out its wireless service in 2012. They have announced that they will build more cell sites than what Smart, Globe and Sun had in their first year.

Globe has announced its US$700 million Massive Mobile Network Modernization program to be rolled out nationwide. This is expected to be launched within five years.

PLDT and SMART are said to be nearing the completion of their US$1.5 billion network transformation program. Among the major goals of this effort is to upgrade the quality of SMART's 50 million wireless subscribers and provide Internet access to the most remote areas of the country.

TV5 is building its new network headquarters which will include several studios. They are investing in transmitters, production and post production equipment, studio equipment, and news reporting equipment.

ABS-CBN is investing over US$130 million to build six sound stages to be used for its shows and soap operas. They believe this investment will ultimately bring down their production costs.

Web Resources

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For additional information on telecommunication policies, please refer to the National Telecommunications Commission (NTC) - http://www.ntc.gov.ph

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Leading Commercial Sector #3 Medical Equipment

Overview

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Unit: USD thousands

	2010*	2011** (estimated)	2012** (estimated)	2013** (estimated)
Total Market Size	182,939	192,086	201,690	211,775
Total Local Production***	-	-	-	-
Total Exports	100,956	106,004	111,304	116,869
Total Imports	283,895	298,090	312,994	328,644
Imports from the U.S.	103,175	108,334	113,751	119,439
Exchange Rate: 1 USD	45.1097	43.3131	42.6280	42.5000

Notes:
**Trade statistics for 2010 are not yet available.*
***Statistics for 2010, 2011, and 2012 are unofficial estimates.*
****Data on local production is negligible.*

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources:

Total Local Production: No statistics available
Total Exports: National Statistics Office
Total Imports: National Statistics Office
Imports from U.S.: National Statistics Office
Exchange Rate: Listed exchange rates are not used in the above calculations. Exchange rate shows average value of Philippine Peso to U.S. Dollar. (Source: Central Bank of the Philippines).

The medical equipment sector continues to present good opportunities for U.S. firms. Total imports increased by more than 24% from approximately $229 million in 2009 to about $284 million in 2010. The medical industry in the Philippines is almost totally dependent on imports. Additional requirements for medical services, new technology, and equipment replacement spur market growth.

In 2010, the Philippines' total import of medical equipment was $284 million. The U.S. regained its top position, supplying more than 35% of total importation. China 14%, Japan 10%, Singapore 9%, Germany 8%, and Malaysia 6%. About 82% of the Philippines' importation of Medical Equipment came from these 6 countries alone. Market shares reflect a strong preference for U.S. products. The U.S. performs well with high value, low volume medical equipment such as ultrasound equipment, magnetic resonance imaging (MRI) equipment, breathing equipment, and other radiology and electronic medical equipment. U.S. manufacturers, however, face increasing competition from third country suppliers.

The U.S. dominates the market for durables (machineries and equipment) while China is the top exporter of consumable and disposable medical supplies. Singapore, which ranked fourth in 2010, is the regional base of a number of American and European companies; Import data on Singapore may actually reflect trans-shipments from third country suppliers, including Japan.

Local production consists of parts for medical equipment (presumably microchip parts manufactured in the export processing zones).

The market is price-sensitive, which explains the growing presence of Chinese goods. Over the last three years, few private sector companies or individuals invested in hospital development. Hospitals with limited budget source medical equipment from China or Taiwan, and distributors that supply equipment and replacement parts now also carry disposables and consumables.

Sub-Sector Best Prospects

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The most promising subsectors are electro-cardiographs, ultrasonic scanning machines (ultrasound), magnetic resonance imaging (MRI) equipment, x-ray and radiation equipment, breathing appliances, and computed tomography apparatus (CT scan).

Opportunities

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Continuous requirements for medical services, new technology, and equipment replacement should spur market growth. Hospitals throughout the country continue upgrading facilities to keep up with demand from foreigners and returning residents who seek healthcare services in the Philippines.

Industry expects a modest 5% growth in imports and exports of Medical Equipment in the next three years since many hospitals have upgraded in 2010-2011.

Web Resources

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Department of Health: http://www.doh.gov.ph
National Statistics Office: http://www.census.gov.ph

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Leading Commercial Sector #4 Electrical Power Systems

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Unit: USD thousands

	2010*	2011** (estimated)	2012** (estimated)	2013** (estimated)
Total Market Size	201,962	212,060	222,662	233,795
Total Local Production	-	-	-	-
Total Exports	153,896	161590	169670	178,153
Total Imports	355,858	373,650	392,332	411,948
Imports from the U.S.	112,106	117,711	123,597	129,777
Exchange Rate: 1 USD	45.1097	43.3131	42.6280	42.5000

Notes:
**Trade statistics for 2010 are official figures.*
***Statistics for 2011, 2012, and 2013 are unofficial estimates.*

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources:
Total Local Production: No statistics available
Total Exports: Unofficial estimates
Total Imports: National Statistics Office
Imports from U.S.: U.S. Census
Exchange Rate: Listed exchange rates are not used in the above calculations. Exchange rate shows average value of Philippine Peso to U.S. Dollar. (Source: Central Bank of the Philippines).

The Philippine energy sector underscores its guiding vision of "Energy Access for more" to mainstream access of the larger populace to reliable and affordable energy services to fuel, most importantly, local productivity and countryside development. At the onset of the New Aquino Government, the energy sector has outlined the following three (3) major pillars as its overall guidepost and direction: (a) Ensure energy security; (b) Achieve optimal energy pricing; and, (c) Develop a sustainable energy plan. The programs that will lead to the attainment of the pillars have been phased into medium- (2011-2013) and long-term (2013-2016) timelines.

The realization of these policies in the energy sector will require action plans that will be set in motion within the 20-year planning period and they are summarized as follows: (1) accelerate the exploration and development of oil, gas and coal resources; (2) intensify development and utilization of renewable and environment-friendly alternative energy resources/technologies; (3) enhance energy efficiency and conservation; (4) attain nationwide electrification; (5) put in place long-term reliable power supply; (6) improve transmission and distribution systems; (7) secure vital energy infrastructure and facilities; and (8) maintain a competitive energy investment climate.

The Philippines is rich with renewable energy resources, including robust wind energy sites, ideal solar conditions, and an abundance of hydro and biomass resources. The passage of Republic Act (R.A.) 9513, otherwise known as “Renewable Energy Act of 2008,” establishes a supportive policy environment that offers fiscal and non-fiscal incentives to equipment manufacturers with the goal of achieving 60% renewable energy generation by 2017. It is expected that other policy and regulatory mechanisms will be promulgated to further boost investors’ interest in RE development, such as the Renewable Portfolio Standard (RPS) and the Feed-in Tariff (FiT) system.

The country’s conventional energy fuels – oil, gas and coal - will remain indispensable in meeting the country’s energy demand even as the country pursues other alternative energy sources. The Philippine Government (GPH) established the Philippine Energy Contracting Round (PECR) to bid out prospective areas for exploration and development. Currently, there are 34 service contracts which are expected to increase to 117 by 2030. In the case of natural gas, the continuing inventory of other potential sources will be pursued to explore and develop a natural gas supply base.

The implementation of the Electric Power Industry Reform Act (EPIRA- R.A. 9136) has gained momentum, as noted by recent consecutive successes in privatization of assets previously owned by the National Power Corporation (NPC). This restructuring scheme seeks to ensure quality, reliable, secure and affordable electric power supply, encourage the free and fair competition, enhance the inflow of private capital, and broaden the ownership base of power generation, transmission and distribution. The GPH reports that it sold 92% of the total generating assets up for bid (valued at US$10.6 billion). The Wholesale Electricity Spot Market (WESM) has started commercial operation in Luzon and in the Visayas, signaling an important phase in promoting open access in accordance with the EPIRA, and seen as a long-term solution to ensure the supply security in these regions

One strategy to improve the energy sector is the implementation of the Biofuels Act of 2006 R.A. 9367), which sets bioethanol and biofuel uptake targets for the transport sector. The GPH targets to increase biodiesel blend from two percent to as high as 20 percent at the end of the planning horizon. Currently, the country enjoys an accelerated use of E10 (10.0 percent bioethanol blend) as supplied by most gasoline retailers. This would result to significant fuel displacement of 92 million liters in 2010 to 1,885 million liters in 2030.

Meanwhile, demand for power continues to surge, and that will require additional capacity in the main grid areas (i.e., Luzon, Visayas, and Mindanao). Older power plants are being retired or decommissioned. According to the Philippine Department of Energy’s (DOE) Philippine Energy Plan (2009 – 2030), demand for electricity will grow annually at an average of 4% to 7%. The expected increase in energy use is fueled by increased economic activity, notably in the, business process outsourcing, transportation, and building and construction industries (chiefly in the public infrastructure, commercial and residential segments).

Other major U.S. players in the energy market include Chevron, which remains a leader in Philippine geothermal power production; AES Philippines operates the 6 00 MW Masinloc Coal Plant; and, Intergen-Quezon Power for the 460 MW coal-fired electric generating facility and a 31-kilometer transmission line.

Industry insiders note that the market has become more price-sensitive, as there is a growing preference among end-users for lower-priced yet technically-compliant options. Most of the imported electrical power systems are supplied by China, Japan, Taiwan and Singapore.

Sub-Sector Best Prospects Return to top

In view of the recent positive developments in the power sector, industry insiders note increasing demand for various electrical power systems and products and technology, which include:

- Renewable energy equipment/ products such as turbines, solar systems, hybrid power systems
- Pole line, Transmission, and Distribution Hardware, including control and delivery network, SCADA, converters, substations, metering systems,
- Energy Efficiency Technologies (green building, energy management)
- Transformers
- Kilowatt hour (kWh) meters and related electronic metering equipment
- Circuit Breakers
- Protection Devices (e.g., lightning arresters, reclosers, switch gears, voltage regulators)
- Lighting systems/Equipment
- Connectors
- Stand-by Mobile Power Generating Systems, cogeneration systems, converter stations

Opportunities Return to top

- The power generating companies (GenCos) and new entrants are in different stages of rehabilitation, upgrading, and/or regular maintenance work. This presents a range of opportunities for supplying various types of equipment and services, such as infrastructures in power generation; Greenfield generation projects, possible joint ventures with proponents of indicative projects and NPC plants and NPC-IPP contracts for privatization.
- Expansion, upgrading, or rehabilitation of existing power plants to augment existing capacity and avert threats of a power shortage in the next few years, particularly in the Mindanao.
- The Transmission Development Plan (TDP) implemented by TransCo is still under way. Initiated in 2005, this US$850 million, 10-year project involves planned expenditures for additional transmission and substation capacity, inter-grid linkages, and the continuous repair and upgrade of existing transmission infrastructure. The National Grid Corporation of the Philippines, through a US$3.95 billion, 25-year concession contract, has taken over from TransCo the operation and maintenance of the country’s electricity transmission facilities.
- Increase in demand from local electric power cooperatives requires an enhancement of their distribution capacities. Their main concern remains the reduction in systems losses.
- Remote, off-grid areas are being addressed by the government’s missionary electrification program, which includes tapping new and renewable energy sources.

This further represents the supply of electricity to isolated and underserved areas under the Small Public Utilities Groups (SPUG) managed by the National Power Corporation. Meanwhile, opportunities for the supply of stand-by power-generating facilities are seen as a stopgap measure to arrest recurring power outages in certain vulnerable islands.

- Since the signing of the Renewable Energy Act of 2008, a total of 236 service contracts have been awarded to RE developers, which have the potential to generate 2,822 MW of electricity. A total of 9,865 MW of additional mixed RE are targeted to be connected to the grid by 2030. The National Renewable Energy Board holds the various policy and regulatory mechanisms to speed-up the implementation of the law.
- Indigenous coal production will increase to a high 250 percent with the entry of more investors through the energy contracting round mechanisms and the conversion of existing coal operating contracts from exploration to development stage. The country has total in-situ reserves of 436 million metric tons (MMMT).
- Certain initiatives under the National Energy Efficiency and Conservation Program (NEECP) which include the Energy Labeling and Efficiency Standards, Government Energy Management Program, among others.

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Arangkada Philippines: www.investphilippines.info
Department of Energy (DOE) - http://www.doe.gov.ph
Energy Regulatory Commission (ERC) - http://www.erc.gov.ph
National Electrification Administration (NEA) - http://www.nea.gov.ph
National Grid Corporation of the Philippines (NGCP) - http://www.ngcp.ph
National Power Corporation (NPC) - http://www.napocor.gov.ph
Power Sector Assets & Liabilities Management (PSALM) Corp. –
http://www.psalm.gov.ph
Wholesale Electricity Spot Market (WESM) - http://www.wesm.ph

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Leading Commercial Sector #5 Water Resources Equipment & Services

Overview

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Unit: USD thousands

	2010 (estimated)	2011 (estimated)	2012 (estimated)	2013 (estimated)
Total Market Size	358,823	377,227	394,495	414,220
Total Local Production	44,773	45,221	45,673	50,240
Total Exports	31,341	31,655	31,972	32,292
Total Imports	345,391	363,661	380,794	384,602
Imports from the U.S.	54,201	55,827	57,501	59,226
Exchange Rate: 1 USD	45.1097	43.3131	42.6280	42.5000

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources:

Total Local Production: Unofficial estimates
Total Exports: Unofficial estimates
Total Imports: Unofficial estimates
** Listed exchange rates are not used in the above calculations. Exchange rate shows average value of Philippine Peso to U.S. Dollar. (Source: Central Bank of the Philippines).*

The Philippine market for water resource equipment and services is expected to grow by at least five percent yearly in view of the current impending projects that address increasing water scarcity, and sanitation and wastewater-related problems.

The country's water supply requirement is escalating. The Philippines has a population of over 90 million, growing at an average annual rate of 2%. Approximately 20-50% of the population does not have access to safe drinking water. Sixteen national rivers and lakes are already biologically dead and only 33% of river systems are suitable as water supply sources. Depletion of groundwater resources has been an increasing problem in some areas of the country.

Wastewater management is also a major concern as indiscriminate discharging of untreated wastewater over the years, particularly from domestic sources, has caused major pollution problems, especially in extremely urbanized areas.

The Philippines is highly dependent on imported water and wastewater treatment products and services. Japan, U.S. and Singapore are the major sources of water and wastewater treatment products and equipment of the Philippines.

Government entities fund its water-related projects through a mixture of national/local government budgets and foreign (governments, multilateral and bilateral agencies) loans/grants. Water districts use internally-generated funds, loans and grants. Private entities finance water and wastewater treatment projects through internal funds or loans. The Asian Development Bank and World Bank are among the financial agencies that support water projects in the Philippines.

Sub-Sector Best Prospects Return to top

- Drinking/Potable water treatment equipment/processes
- Products/equipment for the construction and development of additional water resources and water supply systems
- Water supply rehabilitation products/equipment
- Products/equipment/accessories for sewage, septage and combined sewerage system projects
- Packaged or modular wastewater treatment equipment
- Industrial wastewater treatment
- Water Recycling products/equipment
- Wastewater treatment technologies that will result in smaller footprints (due to land constraints)

Opportunities Return to top

- **Water Districts Under the Local Water Utilities Administration** - There are over 800 water districts that had been formed all over the Philippines. These water districts engage in construction, development and maintenance of water supply systems in provinces and municipalities. The Local Water Utilities Administration (LWUA) is the government entity that provides financial, technical, institutional, developmental and regulatory services to water utilities in provincial areas. LWUA's lending programs provide funds to develop water sources and new water supply systems; repair/rehabilitate/expand existing systems, and reduce non-revenue water. Water districts are just starting to embark on septage management programs.

- **Manila Water Company (MWCI) and Maynilad Water Services, Inc. (MWSI) Projects** - MWCI and MWSI are the concessionaires of the government-owned Metropolitan Waterworks and Sewerage System (MWSS). Both companies, which service approximately 12 million residents, are continuously expanding, modernizing and improving water and sewerage services. MWCI intends to maintain a capital expenditure level of over US$200 million in 2012, which will be mostly spent on wastewater treatment plants. MWSI, on the other hand, programmed over US$195 million on capital expenditures for 2012.

- **New Water Supply Source Project -** Sponsored by MWSS, the project intends to augment the supply of potable water in Metro Manila. Costing about US$581 million, this project involves the construction of a dam, water treatment plant, and associated main pipeline to deliver water to an estimated 15 million residents. The Project Development and Monitoring Facility (PDMF) Board of the Public-Private Partnership (PPP) Center of the Philippines has approved funding of pre-investment studies under the PPP modes. The PDMF is a revolving fund that can be used for preparing pre-feasibility and feasibility studies, as well as, tender documents for PPP projects.

- **Water and Wastewater Projects of Industrial Plants, Tourism Facilities, Residential/Commercial Buildings, Hospitals, Restaurants, Recreational Facilities and other Similar Establishments** - These establishments face fines or closures if they are not able to comply with the effluent concentration limits set by the law

Web Resources

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U.S. Commercial Service Liaison to the Asian Development Bank - http://www.buyusa.gov/adb
Local Water Utilities Administration - http://www.lwua.gov.ph
Manila Water Company - http://www.manilawater.com
Maynilad Water Services, Inc. - http://www.maynilad.com.ph
Philippine Association of Water Districts - http://www.pawd.org.ph
Philippine Water Works Association – http://www.pwwa.com.ph
World Bank - http://www.worldbank.org.ph

Trade Events:
Enviro-Tech Philippines 2012 (12th International Total Environment Management Technology, Cleaning & Maintenance Solutions, Water & Waste Water Control System, Equipment and Services Exhibition and Conference), August 16-18, 2012, SMX Convention Center, Pasay City (Note: Enviro-Tech Philippines 2012 will include the following categories: Cleaning and Maintenance, Environmental Protection, Water, Irrigation, and Sewage), http://www.globallinkph.com/

Philwater, October 17-19, 2012, Puerto Princesa, Palawan, http://www.pwwa.com.ph

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Agricultural Sectors

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General Market Overview

The Philippines is the 12th largest market in the world for total U.S. agricultural, fish and forestry products, with sales expected to reach US$2.1 billion, representing a 30 percent increase over 2010. The top 10 products in 2011 were: wheat (US$720* million), soybeans and soybean meal (US$345 million), dairy products (US$281 million*), red meats (US$132 million), animal feeds (US$91 million*), poultry meat (US$70 million*), snack foods (US$64 million*), processed fruits and vegetables (US$62 million*), sugar, sweeteners & beverage bases ($55 million*) and fresh fruit (US$42 million*).

The growth is led by exports of food & beverage (F&B) products with sales expected to reach US$760 million, up 27 percent over the previous year. The Philippines continues to be the largest F&B market in SE Asia and one of the fastest growing markets in the world for this high value, job generating sector. The U.S. is expected to remain as the Philippines' top supplier of F&B products. More importantly, this healthy export growth is broad based, with most products that comprise the F&B category on track to achieve record sales. New sales opportunities are being created by an ongoing expansion in modern large-scale supermarket chains, continued interest in U.S. food trends, and growing demand for convenience. Furthermore, about 10 percent of the total population of roughly 102 million has sufficient income to regularly purchase imported food items, which suggests major long-term import growth potential as income distribution improves.

* Denotes highest export levels since FY 1970

Market Characteristics

Philippine consumers have a strong affinity and distinct preference for American products. American culture and lifestyle is nowhere more evident and emulated in Asia than in the Philippines because of the historical ties and long-standing relations between the two countries. American products are highly regarded for their high quality.

There are many Philippine overseas workers, who are an essential source of foreign exchange and an important stabilizing factor in terms of consumer purchasing power, particularly in times of foreign exchange difficulties, i.e. OFW remittances represent at least 10% of the GNP.

Filipinos are known to eat about five times a day and have a propensity for snacking in-between meals. Consumption of imported food products peaks during the Christmas season when sales reach three times the normal levels.

Market Sector Structure and Trends

The retail and food service sectors are experiencing tremendous growth and change because of a combination of demographics, political and economic developments, multilateral trade agreements and evolving consumer preferences and sophistication.

Philippine food retailing is rapidly modernizing and expanding. National and up-scale supermarket chains are attracting customers by opening large, modern stores, which are displacing traditional small-scale retail chains and corner stores. While focused primarily on urban markets in Metro Manila and Cebu, in recent years the national chains have expanded into smaller regional markets, including Bacolod, Cagayan de Oro, and Davao.

The growth in modern, large-scale retailing presents new opportunities for U.S. F&B products. The modern chains offer improved cold chain and distribution systems, market a wider variety of products, and tend to rely on imports more than the traditional retailers. Additionally, the modern chains customer base is generally more upscale and demanding in terms of product quality and variety. Overall, this creates a positive environment for American foods and beverages, which tend to be pricier than local products but offer excellent quality, variety, and reliability. The market is dominated by locally-owned and operated chains led by SM Supermarket, Rustans/Shopwise, Robinson's, Puregold, and Pilipinas Makro. Purchasing power is largely strengthened by double-income households, especially in urban areas.

More than two-thirds of the population is below 30 years old. This age group relies heavily on processed and ready to cook/eat food products, their meals are increasingly eaten away from home and their lifestyles are very westernized due to extensive exposure to cable TV, foreign reading material and the Internet. Additionally, the increasing incidence of women entering the workforce, coupled with the decreasing availability of household helpers, is causing a dramatic change in food consumption patterns. This has greatly encouraged dining out, food delivery and purchases of convenient products that require minimal preparation and clean up. Prospects remain excellent for a wide variety of F&B products, particularly those that can be classified as “healthy,” “gourmet,” and “convenient.”

Best Market Prospects

Red Meats	Juices
Snack Foods	Natural and Health Foods
Fresh Fruits and Vegetables	Seafood
Tree Fruits	Wine
Poultry Products	Cheese
Tree Nuts	Dried Fruits
Food Ingredients	Pet Food

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Annual Commodity reports and other agricultural updates on the Philippine market can be accessed at the U.S. Department of Agriculture, Foreign Agricultural Service's website at http://www.fas.usda.gov under the section Market and Trade Data - Attaché Reports.

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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The Philippines' simple average applied tariff was 6.3 percent in 2011 according to the Philippine Tariff Commission, significantly below its WTO bound tariff rate of 25.44 percent. The Government of the Philippines (GPH) commenced a new five-year program schedule (2011-2015) in 2011. As a general rule, imported manufactured goods in competition with locally produced goods face higher tariffs than those without strong local competition. The GPH cites domestic and global economic developments to justify the modification of applied rates of duty for certain products, as a temporary protection for local producers in the agriculture and manufacturing sectors.

In January 2010, the Philippines reduced its duties to zero on 99 percent of all ASEAN Harmonized Tariff Nomenclature tariff lines (a total of 8,897 lines) to meet its commitments under the ASEAN Free Trade Area. For more information about free trade agreements, see the section on "Trade Agreements."

For additional information on Philippine applied tariffs:
http://www.tariffcommission.gov.ph/
http://www.wto.org/english/tratop_e/tariffs_e/tariff_data_e.htm

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Agriculture Tariffs and Quotas

The average tariffs on agricultural products increased from 11.85% in 2006 to 11.94% in 2011 (http://www.tariffcommission.gov.ph/tariff2010.htm). The Philippines maintains a two-tiered tariff policy for sensitive agricultural products including rice, corn, pork, chicken meat, sugar and coffee. These products are subject to a tariff rate quota (TRQ) and all imports outside of the minimum access volume are taxed at a higher out-of-quota rate. In 2005, in-quota and out-of-quota tariff rates averaged 36.5% and 41.2%, respectively, and have not changed since. At present, a few TRQ products have achieved unified in-quota and out-of-quota tariff rates including: chicken, duck and goose meat, frozen or chilled (40%); turkey livers, frozen or chilled (40%); potatoes, fresh and chilled (40%); and roasted coffee beans (40%). Currently, there is an additional special safeguard duty in place for chicken meat, which effectively doubles the rate of out-of-quota tariff protection. Administrative Order (A.O.) 9 of 1996, as amended by A.O. 8 of 1997 and A.O. 1 of 1998, established rules for implementing TRQs and allocating import licenses.

Safeguards, Antidumping, and Countervailing Duties

The Secretary of Trade and Industry and the Secretary of Agriculture have the legal authority to raise tariffs that protect a domestic industry from an import surge by virtue of the Safeguard Measures Act. In the case of an agricultural good, they may impose a quantitative cap in the form of the maximum access volume restriction. The Government of the Philippines (GPH) continues to levy safeguard duties on glass products, ceramic floor and wall tiles, and steel-angle bars.

Detailed information on the imposition of a safeguard measure and government agencies involved in a safeguard investigation can be obtained from the following websites: http://www.tariffcommission.gov.ph/safeguar.html

As of 2010, the Government of the Philippines maintains anti-dumping duties on clear float glass from Indonesia. For a comprehensive list of anti-dumping investigations initiated by the Philippines, you may refer to the following websites:
http://www.tariffcommission.gov.ph/orders_issued%20by%20DTI.htm
http://www.tariffcommission.gov.ph/semi-ann1.html

The GPH does not impose a countervailing duty on any product.

For additional information on safeguard measures, anti-dumping and countervailing duties, you may refer to the following:
http://www.tariffcommission.gov.ph/safeguar.html
http://www.tariffcommission.gov.ph/anti-dum1.html

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Excise Taxes on Alcohol and Tobacco Products

The Philippines raised excise taxes on alcohol and tobacco products in 2005, extending preferential treatment for distilled spirits produced from indigenous raw materials and imposing significantly higher excise taxes on spirits made from non-indigenous raw materials. In October 2009, the United States formally observed WTO consultations between the European Communities and Philippine Government in Manila and requested its own WTO consultations with the Philippines in January 2010 on the discriminatory excise tax treatment on imported distilled spirits. A panel was formed in July 2010 and has expressed its intent to release the final report by June 2011.

The Government of the Philippines continues its multi-tiered excise tax system for cigarettes. Some cigarette exporters note that Philippine law pegs excise taxes for older brands to their October 1996 retail prices, while new brands are taxed at their current retail price.

Import Requirements for Food Products

The Philippines is a signatory to the World Trade Organization (WTO) and has lifted quantitative restrictions (QRs) on imports of food products except for rice. Tariff-Rate Quotas (TRQs) still remain on a number of sensitive products such as corn, poultry meat, pork, sugar and coffee. Minimum Access Volumes (MAV) have been established for these commodities.

The GPH opened its rice market in 2002 when it allowed the private sector, mainly traders, to import rice. Prior to this, the National Food Authority (NFA) was the sole importer of rice. Private sector rice imports are assessed a 40 percent in-quota tariff rate and a 50 percent tariff for volumes beyond the quota. Import licenses are regulated by the NFA. In 2004, the GPH completed negotiations with other WTO members for the extension of its quantitative restrictions on rice, and in December 2006, their request for extension was approved by the WTO subject to certain concessions. In November 2011, the Philippine government formally signified to the WTO its intention to start discussions on extending the rice import quota for another 3 years. The current QR on rice is set to expire in June 2012.

On June 15, 2007, President Gloria Macapagal Arroyo signed Executive Order No. 627 (EO 627) which lowered the tariff rates of various agricultural products, in order to implement the Philippine commitment on rice under the World Trade Organization (WTO) Agreement on Agriculture. EO 627 was published on June 28, 2007 and took effect immediately after.

Quarantine clearances that serve as import licenses are required prior to the importation of fresh fruits and vegetables as well as meat and meat products. All other food product imports do not have licensing requirements except for commodities entering duty-free or subject to an in-quota tariff such as pork, poultry, corn, coffee and coffee extract. In all cases, imported meat, fish and produce require a registered importer to be the receiver of the shipment.

Import Regulations for Processed Food Products

Philippine food regulations generally follow the U.S. Food and Drug Administration policies and guidelines for food additives, good manufacturing practices, and suitability of packaging materials for food use. Hence, compliance with U.S. regulations for packaged foods, particularly for labeling, will almost always assure compliance with Philippine regulations. All food products offered for sale in the Philippines must be registered with the Philippine Food and Drug Administration (FDA). Registration of imported products may only be undertaken by a Philippine entity, although some documentation and, for certain types of products, samples need to be provided by the exporter. Products have been divided into two categories with distinct sets of registration requirements and procedures.

Category I includes: bakery & bakery related products; non-alcoholic beverages & beverage mixes; candies & confectionery products; cocoa & cocoa related products; coffee, tea & non-dairy creamer; condiments, sauces & seasonings; culinary products; gelatin, dessert preparation & mixes; dairy products; dressings & spreads; flour/flour mixes & starch; fish & other marine products; fruits, vegetable & edible fungi (prepared); meat and poultry products (prepared); noodles, pastas & pastry wrapper; nut & nut products; native delicacies; oils, fats & shortening; snack foods & breakfast cereals; and sugar & other related products.

Category II includes: alcoholic beverages; food supplements; tea (herbal); bottled drinking water; foods for infants and children; foods for special dietary use; transgenic food products (use of genetic engineering/biotechnology); and, ethnic food products with indigenous ingredient(s) not common in the Philippines.

Each class per brand of product must be registered with FDA by the importer before the product can be imported. Only products with a valid Certificate of Product Registration from FDA will be allowed for sale in the Philippines.

The following is the list of requirements for the registration of food products:

Category I

1. Letter of application for registration from importer/distributor
2. Accomplished Affidavit of Undertaking, typewritten and notarized
3. Accomplished product list by product classification, three (3) copies
4. Valid License to Operate (from FDA) with name of supplier/source(s) of imported food products
5. Copy of sales invoice
6. One sample of each product in commercial presentation and a copy of the label that is in conformance with Codex Labeling Regulations and FDA requirements. In lieu of product sample, a colored picture of each product may be submitted. A sticker indicating the name and address of the importer must be attached if such information is not printed on the label.
7. Registration fee of US$4 (PhP200) per product

Category II

1. Letter of application for registration from importer/distributor
2. Valid License to Operate (LTO) as an importer/distributor issued by FDA
3. Product Information
   a. List of ingredients in decreasing order of proportion. For additives with prescribed limit, the amount added must be indicated;
   b. Finished product specification (physic-chemical and microbiological)
4. Samples of the product in its commercial presentation for laboratory analysis
5. Loose label and labeling materials to be used for the products
6. Estimated shelf-life parameters used and methods for determining shelf-life
7. Brief description/flow diagram of the method of manufacture
8. Certificate of analysis. Include analytical methods used. Additional requirements for food supplements may apply as necessary;
9. Registration fee of US$5 (PhP250) to US$20 (PhP1, 000) per product plus cost of laboratory analysis.

Laboratory testing by FDA for products under Category II is mandatory to determine the safety of the product and to assure that there will be no misbranding or adulteration of products. Products under Category I may be subject to random examination at any time, with the cost of laboratory analysis charged to the importer.

A Certificate of Product Registration (CPR) shall be issued by FDA and shall be valid for one (1) year. Subsequent renewal of CPR shall be valid for a period of five (5) years.

Exporters must be aware that the Philippine importer needs to secure a license from FDA to bring in any of the products. This is a prerequisite for the registration of any food product. The license lists names of foreign suppliers or sources of the products being registered. Thus, the importer is required to obtain from the exporter and submit to FDA the following: a copy of the Foreign Agency Agreement duly authenticated by the Philippine Consulate in the country of origin; and a Certificate of Status of Manufacture by the exporter issued by the Government Health Agency from the country of origin, which should also be authenticated by the Philippine Consulate.

In March 2008, FDA issued Bureau Circular No. 6-A (2007) imposing additional requirements for imported products to be sold in the Philippines. FDA requires all importers to obtain a Certificate of Free Sale for the said product from the regulatory agency of the exporting country.

The cost of initial one-year licensing fee is US$80 (PhP4, 000). Renewal of License to Operate, valid for two (2) years, is US$160(PhP 8,000).

Import Regulations for Fresh Produce and Meat

The Bureau of Plant Industry (BPI) of the Philippine Department of Agriculture (DA) regulates imports of fresh fruits and vegetables. In response to pressure from domestic vegetable producers to limit imports as well as to crack down on illegal importation of fruits and vegetables into the Philippines, the DA has further tightened its import permit application procedures.

In September 2009, BPI issued a memorandum regarding the implementation of plant quarantine regulations. The memorandum reiterates that a Plant Quarantine Clearance (PQC) certificate issued by DA-BPI and a USDA Animal Plant Health Inspection Service (APHIS) Phytosanitary Certificate are both required for all imports of plant products and planting materials, including highly processed plant products such as frozen potato fries and raisins. Moreover, PQCs and Phytosanitary Certificates must be first secured for all imports before the shipment leaves the country of origin, unless covered by an Exemption Certificate issued by DA-BPI. Importers of soybean meal, Dried Distiller Grains with Solubles, etc. may obtain Exemption Certificates from DA-BPI at no cost. As previously done, these permits must be applied for by the Philippine importer for each shipment and secured prior to export from the United States. The date of shipment should not be earlier than the import permit.

In December 2009, the DA-BPI issued another memorandum clarifying this policy and enumerating alternative documents that are acceptable. Effectively immediately, the following documents will now be accepted for highly processed plant products lieu of the USDA phytosanitary certificates:

1. A certified true copy of the Philippine Food and Drug Administration/Bureau of Food and Drug (FDA) Certificate of Product Registration (CPR); and a photocopy of the U.S. Federal or State Government Health Certificate/Certificate of Free Sale; OR

2. Original U.S. Federal or State Government Health Certificate/Certificate of Free Sale

In January 2006, the APHIS Regional Office in Manila submitted the pest list for the following U.S. vegetables: broccoli, cauliflower, lettuce, carrots, cabbage and celery to BPI as requested, in order for it to conduct a pest risk analysis. BPI and APHIS are currently in the process of negotiating the import protocols for the concerned vegetables. In the interim, BPI has expressed willingness to allow these products entry into the country provided that they are intended for the high-end market (i.e., hotels, restaurants and supermarkets). However, in August 2009, Memorandum Order No. 206, issued by DA-Bureau of Plant Industry limits the definition of high-end markets to hotels, restaurants and airlines only, and removes supermarkets, hypermarkets and groceries from the list of previously accepted high-end institutions. Moreover, all local importers must now show proof of high-end clients or buyers by presenting certifications of orders with corresponding volumes. This severely restricts the entry and availability of U.S. vegetables in the country.

In 1995, BPI established plant health regulations, which allow the import of U.S. apples, grapes, oranges, potatoes, onions, and garlic from the United States, provided these products when necessary, undergo a specified cold treatment to control targeted pests. Importation of Florida grapefruit, oranges, and tangerines into the Philippines is permitted under a March 2000 protocol between the Philippines and the United States. In 2004, BPI formally allowed the entry of U.S. fresh cherries into the country. More information on import requirements for fresh fruits and vegetables may be downloaded from http://bpi.da.gov.ph/

In September 2005, the DA issued Administrative Order No. 26 (AO26) or the "Revised Rules, Regulations and Standards Governing the Importation of Meat and Meat

Products into the Philippines." AO26 reiterates the need for a DA-accredited importer to obtain a Veterinary Quarantine Clearance (VQC) certificate prior to the importation of meat and meat products. A VQC will now be valid for 60 days from the date of issuance, within which the meat or meat products are to be shipped from the country of origin, and may no longer be extended beyond that. A VQC is non-transferable and can only be used by the consignee to whom it was issued. A one shipment/bill-of-lading per VQC issued policy will be strictly adhered to. The complete text of Administrative Order No. 26 may be obtained from: http://www.da.gov.ph/

At present, all U.S. meat establishments that are regulated and inspected by the USDA Food Safety and Inspection Service (FSIS) are eligible to export meat and poultry to the Philippines.

There is a great deal of sensitivity in the Philippines about U.S. food products that are packed in cartons with labels indicating shipment to another country. It is recommended that such markings be covered or removed since the Philippines does not require the cartons to be marked for export to the Philippines.

In December 2009, the Philippines DA issued Administrative Order No. 22 (AO22) or the "Regulations on the Hygienic Handling of Meat". AO22 requires frozen meat sold in retail to be stored in freezers, individually packed, and properly labeled while including no such cold chain, packaging and labeling requirements for freshly slaughtered "warm" meat. The United States and other major trading partners have strongly opposed this regulation and see it as discriminatory against imported meat, the vast majority of which is frozen.

Sensitive Agricultural Products

Tariff rates for sensitive agricultural products were established in Executive Order 313 of March 1996, which set varying in-quota and out-quota rates for products considered important to domestic agriculture: pork, coffee, poultry, sugar and corn. In-quota rates apply to products imported within established minimum access volumes (MAV). Any imports in excess of the MAV are assessed the out-of-quota rate. MAV products are those for which the GPH committed to providing minimum market access in exchange for the lifting of quantitative import restrictions in the WTO. The MAV Administration including its allocation is handled by a special MAV Management Committee. Please contact the USDA Foreign Agricultural Service in Manila (AgManila@usda.gov) for further information on minimum access volumes and current MAV license holders.

Import Regulations for Biotechnology-Derived Products

In April 3, 2002, the DA issued Administrative Order No. 8 (AO 8) which regulates the importation and release into the environment of genetically modified plants and plant products. Under AO 8, no regulated article shall be imported or released into the environment without the conduct of a satisfactory risk assessment. The BPI issues permits for the importation of regulated articles for contained use or trials, as well as for direct use as food or feed or for direct processing of GM plants and plant.

A detailed report that specifically addresses import regulations and standards is available, entitled: The Philippines: Food and Agricultural Import Regulations & Standards Country Report (FAIRS) and can be obtained from the FAS homepage

www.fas.usda.gov choose Market and Trade Data, Attaché Report Search, then select FAIRS Country Reports and the Philippines. You can also access the report through the following URL:
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Manila_Philippines_7-17-2009.pdf

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As a general rule, all types of merchandise are allowed for importation into the Philippines. However, for reasons of public health and safety, national security, international commitments, and development/rationalization of local industry; the importation of certain commodities is regulated or prohibited. Imports are classified as follows:

1. **Freely Importable Commodities** - The importation of these commodities is neither regulated nor prohibited as defined under (2) and (3). They may be imported without the prior approval of or clearance from any government agency.

2. **Regulated Commodities** - The importation of these commodities requires clearances/permits from appropriate government agencies, including the Philippine Central Bank or Bangko Sentral ng Pilipinas (BSP) (http://www.bsp.gov.ph).

3. **Prohibited Commodities** - The importation of these commodities is not allowed under existing laws.

Please visit http://www.dti.gov.ph/dti/index.php?p=214 for the list of regulated and prohibited imports.

The importation status of any commodity (whether prohibited, regulated, or freely importable) may be checked/verified with the Bureau of Customs (BOC) (http://www.customs.gov.ph), Bureau of Import Services (BIS) of the Department of Trade and Industry (DTI) (http://www.dti.gov.ph), or BSP and any of its authorized agent banks. The Department of Agriculture (DA) (http://www.da.gov.ph) can verify the importation status of agricultural products, as well as, indicate whether a Minimum Access Volume Import Certificate is required, such as for the importation of swine, chicken, etc.

Import documents required for shipments to the Philippines include:

- Commercial invoice/Pro Forma invoice
- Bill of lading (for sea freight) or air waybill (for air freight)
- Certificate of origin (if requested)
- Packing list
- Special certificates/ Import clearance/permit depending on the nature of goods being shipped and/or requested by the importer/bank/letter of credit clause (e.g., Bureau of Food and Drugs (BFAD) license)

- Commercial Invoice of Returned Philippine Goods and/or Supplemental Declaration on Valuation

For a Letter of Credit (L/C) transaction, a duly accomplished L/C, including a Pro-forma Invoice and Import Entry Declaration for Advance Customs Import Duty (ACID), is required. A Pro-forma Invoice is required for a non-L/C transactions (e.g., Draft Documents against Acceptance (D/A), Documents against Payment (D/P), Open Account (OA) or self-funded documentation).

U.S. Export Controls

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For information on the latest U.S. export and re-export control regulations, please go to the following website: http://www.bis.doc.gov

Temporary Entry

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Section 105 of the Tariff and Customs Code of the Philippines (TCCP) contains the regulations and requirements for products entering the Philippines temporarily, such as but not limited to the following: equipment for use in the salvage of vessels or aircraft; articles brought into the Philippines for repair, processing or reconditioning to be re-exported upon completion of the repair, processing, or reconditioning; articles used exclusively for public entertainment, and for display in public expositions, or for exhibition or competition for prizes, and devices for projecting pictures and parts; and articles brought by foreign film producers directly and exclusively used for making or recording motion picture films on location in the Philippines. The articles listed in Section 105 of the TCCP are exempted from the payment of import duties subject to conditions as defined in the TCCP.

Section 2103 of the TCCP covers certain cases wherein an intent to export is shown in the covering commercial documents of imported articles where the Collector of Customs may authorize the filing of an entry for immediate exportation, under bond.

Labeling and Marking Requirements

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The marking and labeling requirements are specified in the Consumer Act of the Philippines (Republic Act No. 7394) and in the specified Philippine National Standards (PNS).

To guide the consumers in the purchase of critical products, including electrical, and electronics, consumer and chemical and construction and building materials, they are encouraged to look for the Philippine Standard (PS) and Import Commodity Clearance (ICC) marks on the products or product packages.

Consumers are educated on these quality and safety marks through the Department of Trade and Industry-Bureau of Product Standards (DTI-BPS)' Standards Blitz Program.

For additional information on labeling and marking requirements, visit: http://www.bps.dti.gov.ph/

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Prohibited and Restricted Imports Return to top

Philippine law restricts the importation of certain goods for reasons of national security, environmental and public health protection, order and morality; and to comply with international treaties and obligations.

Prohibited Goods Include:

- Used Clothing and Rags (Republic Act No. 4653);
- Toy Guns (LOI[Letter of Instruction-should it be written out?] 1264);
- Right-Hand Drive Vehicles (Republic Act No. 8506); and
- Laundry and Industrial Detergents containing hard surfactants (Republic Act No. 8970).

Section 101 of the Tariff and Customs Code of the Philippines also includes the following import restrictions:

- Dynamite, gunpowder, ammunitions and other explosives, firearms, weapons of war, and parts thereof, except when authorized by law;
- Written or printed articles in any form containing any matter advocating or inciting treason, or rebellion, insurrection, sedition, or subversion against the Government of the Philippines (GPH), or forcible resistance to any law of the Philippines, or containing any threat to take the life of, or inflict bodily harm upon any person in the Philippines;

- Written or printed articles, negatives or cinematographic film, photographs, engravings, lithographs, objects, paintings, drawings, or other representation of an obscene or immoral character;
- Articles, instruments, drugs and substances designed, intended or adapted for producing unlawful abortion, or any printed matter, which advertises or describes or gives directly or indirectly information where, how or by whom unlawful abortion is produced;
- Roulette wheels, gambling outfits, loaded dice, marked cards, machines, apparatus or mechanical devices used in gambling or the distribution of money, cigars, cigarettes, or other when such distribution is dependent on chance, including jackpot and pinball machines or similar contrivances, or parts thereof;
- Lottery and sweepstakes tickets except those authorized by the Philippine government, advertisements thereof, and list of drawings therein;
- Any article manufactured in whole or in part of gold, silver or other precious metals or alloys thereof, the stamps, brands or marks or which do not indicate the actual fineness of quality of said metals or alloys;
- Any adulterated or misbranded articles of food or any adulterated or misbranded drug in violation of the provisions of the Food and Drug Act;
- Marijuana, opium, poppies, coca leaves, heroin or any other narcotics or synthetic drugs, which are or may hereafter be declared habit forming by the President of the Philippines, or any compound, manufactured salt, derivative, or preparation thereof, except when imported by the GPH or any person duly authorized by the Dangerous Drugs Board, for medical purposes only;
- Opium pipes and parts thereof, or whatever material; and,
- All other articles and parts thereof, the importation of which is prohibited by law or rules and regulations issued by competent authority as amended by Presidential Decree No. 34.

Regulated/Restricted Commodities

A broad range of commodities require import clearance/licenses from appropriate government agencies prior to importation into the Philippines. Discretionary licensing arrangements are in place for rice imports. The National Food Authority (NFA) is the sole importer of rice and continues to be involved in imports of corn. Private grain dealers may be allowed to import rice only with an import clearance.

Imports of fresh, chilled, or frozen fish and fish products may be allowed only when certified by the Secretary of Agriculture as necessary for food security. One explicit criterion is potential threat to domestic industry.

Furniture manufacturers, agents, log and lumber contractors and lumber dealers may import wood materials under several different licensing regimes. Importers must submit a Phytosanitary Certificate issued by the country of origin to the Department of Agriculture-Bureau of Plant Industry (DA-BPI).

Imports of biotech plants and plant products for direct use as seeds, feeds, food, and further processing may be allowed only if these products are authorized for commercial distribution as food or feed in the country of origin, and upon presentation by the importer of documents showing that its use will not pose significant risks to human and animal health. The DA issues five-year permits either for contained use or for direct use as food, feed, or further processing.

Products approved for importation are added to the approval registry for direct use, and these importers do not need to secure an import permit, but only provide notice to the DA-BPI of the arrival of their shipments within fifteen days of actual arrival.

In addition to the commodities described above, the following table lists commodities that may be imported into the Philippines as well as the appropriate government agencies for the obtaining the required import clearances and permits.

Commodity Description/Commodity Group/ Tariff Heading (TH)	**Government Agencies/ Issuing Permits/Clearance/ Legal Basis**
Essential Chemicals & Controlled Precursors; and Dangerous Drugs (Ketamine, Pseudoephedrine, Oripavine, and Amineptine)	Philippine Drug Enforcement Agency (PDEA) and Dangerous Drugs Board (DDB) *Republic Act (RA) No. 9165 (The Comprehensive Dangerous Drugs Act of 2002) dated 7 June 2002*
Cyanide, Mercury, Asbestos, Polychlorinated Biphenyl, Chlorofluorocarbon and other ozone depleting substances TH 2805.4, 2903, 2523, 2503	Department of Energy and Natural Resources- Environmental Management Bureau (DENR-EMB) *RA No. 6969 (The Toxic Substances, Hazardous and Nuclear Wastes Control Act of 1990) dated 26 October 1990*
Semi-synthetic antibiotics (all form and salts of ampicillin, amoxicillin, and cloxacillin) Wheat Flour TH 1101 Iodized Salt TH 2501	Department of Health - Bureau of Food and Drugs (DOH–BFAD) *Executive Order (E.O.) No. 776 dated 24 February 1992 and Bureau Circular No. 03-A s.2000* *R.A. No. 8976 (Philippine Food Fortification Act of 2000) dated 7 November 2000* *R.A. No. 8172 (An Act for Salt Iodization Nationwide - ASIN) dated 20 December 1995*
Coal and lignite (excluding jet), whether or not	Department of Energy-Energy Resource

Commodity Description/Commodity Group/ Tariff Heading (TH)	Government Agencies/ Issuing Permits/Clearance/ Legal Basis
pulverized, but not agglomerated TH 2701, 2702	Development Bureau (DOE-ERDB) *Section 104 of Presidential Decree No. 1464 (The Tariffs and Customs Code of 1978) dated 11 June 1978*
Color Reproduction Machines TH 9009	National Bureau of Investigation (NBI) and Cash Department of the Central Bank
Chlorates, nitrates and nitric acid TH 2829, 2834, 2808	Explosives Management Branch (EMB), Philippine National Police (PNP) *E.O. No. 522 (Prescribing Rules and Regulations for the Control and Supervision of the Importation, Sale and Possession of Chemical Used as Ingredients in the Manufacture of Explosives and for Other Purposes) dated 26 June 1992*
All fertilizers, pesticides and other chemical products that are intended for agricultural use	Department of Agriculture-Fertilizer and Pesticide Authority (DA-FPA) *Presidential Decree No. 1144 (Creating the Fertilizer and Pesticide Authority and Abolishing the Fertilizer Industry Authority) dated 30 May 1997 and FPA Pesticide Regulatory Policies and Implementing Guidelines, 2nd Edition, 2001*
Used motor vehicles	Department of Trade and Industry-Bureau of Import Services (DTI-BIS) *E.O. No. 877-A (Comprehensive Motor Vehicle Development Program), dated 3 June 2010*
Used vehicles for the use of an official of the Diplomatic Corps	Department of Foreign Affairs (DFA) *E.O. No. 156 dated 12 December 2002*
All commodities originating from the following socialist and centrally-planned economy countries (Albania, Angola, Ethiopia, Laos,	Philippine International Trading Corporation (PITC) *LOI No. 444 (Promulgating Guidelines*

Commodity Description/Commodity Group/ Tariff Heading (TH)	Government Agencies/ Issuing Permits/Clearance/ Legal Basis
Libya, Mongolia, Mozambique, Myanmar, Nicaragua and North Korea)	*on Trade Socialist and Other Centrally-Planned Economy Countries) dated 9 August 1967, as amended by EO NO. 244 dated 12 May 1995*
Ships TH 8901 High Speed Craft TH 8901.9 Ship's Equipment/Spare Parts Spare Parts of Foreign Flagships undergoing emergency repair	Maritime Industry Authority (MARINA) *Memorandum Circular (MC) No. 104 dated 6 April 1995* *MC No. 121 dated 29 July 1997* *R.A. No. 9295 (Domestic Shipping Development Act of 2004) dated 3 May 2004* *MC No. 169 dated 13 December 2001*
Atomic energy materials TH 2844	Department of Science and Technology-Philippine Nuclear Research Institute (DOST-PNRI) *R.A. No. 5207 (An Act Providing for the Licensing and Regulation of Atomic Energy Facilities and Materials, Establishing the Rules on Liability for Nuclear Damage, and for Other Purposes) dated 15 June 1968, as amended by Presidential Decree No. 1484 dated 11 June 1978*
Legal tender Philippine currency in excess of PHP10,000 TH 4907, 7118, 7108, 7326, 7419, 7508, 7907, 8007, 7616	Central Bank

Customs Regulations and Contact Information

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Importers must register with the Bureau of Customs (BOC). Exceptions include importers in Special Economic Zones, the Philippine government and its agencies and instrumentalities, foreign embassies, consulates, and international organizations with

diplomatic status. For a complete list of requirements on accreditation of importers, refer to the revised rules and regulations on accreditation of importers from the Department of Trade and Industry/Bureau of Import Services (DTI/BIS) website:
http://www.dti.gov.ph/uploads/DownloadableForms/Revised%20Rules%20and%20Regulations%20on%20the%20Accreditation%20of%20Importers%20under%20CMO%2015-2009.doc

Import documents required in all shipments:

- Commercial Invoice;
- Bill of Lading (for sea freight) or airway bill (for air freight);
- Certificate of Origin, if requested;
- Packing List;
- Applicable special certificates required due to the nature of goods being shipped/requested by importer/bank/letter of credit clause;
- Commercial Invoice of Returned Philippine Goods and Supplemental Declaration on Valuation;
- For Letter of Credit (L/C) Transaction, a duly accomplished L/C including Pro forma Invoice and Import Entry Declaration for Advance Customs Import Duty (ACID); and
- For non-L/C Transactions, either Draft Documents against Acceptance (D/A), Documents Against Payment (D/P), Open Account (OA) or self-funded, a Pro forma Invoice.

The Automated Customs Operating System (ACOS) determines the appropriate clearance of shipments. Shipments with low-risk pass through the green lane without physical inspection. Moderate-risk shipments pass through the yellow lane, subject to documentary examination. High-risk shipments in the red lane submit to both documentary and physical inspection.

BOC employs a "super green lane" for a no-questions-asked clearance of goods, aside from basic import licenses. Customs may conduct random post-entry inspections, but only at the importer's premises. To qualify for this lane, an importer must be free of disciplinary action, with official transaction records in the Philippines for at least one year, and among the top 1000 importers in terms of duties and taxes paid. In practice, Customs limits participation to the top 120 importers, and implementation of the program has been slow.

BOC automated some of its core processes, including certain payment and permit procedures, through the Electronic-to-Mobile (e2m) system. BOC intends to connect this system to the National Single Window (NSW) this year as part of the country's compliance to the ASEAN Single Window Initiative.

In November 2011, the United States and Philippines signed a customs administration and trade facilitation protocol that aims to promote increased bilateral trade through simplified customs procedures and transparency of customs administration. The protocol includes commitments on: publication of customs regulations; implementation of an advance rulings system; and a significant increase in the de minimis level for express shipments.

Valuation

The Government of the Philippines (GPH) employs a transaction value system of import valuation, in compliance with the WTO Agreement on Customs Valuation. The transaction value is the price actually paid or payable for merchandise when sold for export to the country of importation, with additions and permissible deductions. Other valuation methods may apply when there is doubt regarding the value of goods. For example, BOC may apply at its discretion the transaction value of identical goods, transaction value of similar goods, deductive value, computed value, or fallback value.

Reports of corruption and other irregularities persist regarding the implementation of rules and regulations on valuation methodology, clearance procedures, post-entry audit, and appeals procedures. Importers claim undue and costly processing delays, continued private sector involvement in the valuation process, the use of reference prices rather than declared transaction values, and of customs officials seeking payment of unrecorded facilitation fees. The United States Government has repeatedly requested that the GPH improve administration of its customs regime and minimize import harassment.

Clearance Requirements

The following are the documentary requirements necessary to clear imports through Customs, except those made through the super green lane:

--Import Entry and Internal Revenue Declaration (IEIRD–BOC Form 236)
--Supplemental Declaration of Valuation (SDV) form.
--Bill of Lading or Air Way Bill;
--Commercial invoice;
--Packing list; and
--Other additional documents as may be required.

In general, all imported goods are subject to customs duty and internal revenue taxes and examination, tariff classification, and appraisal. Taxes and duties, and other charges due, shall be paid prior to the goods' release.

Queries related to valuation and classification:

Office of the Commissioner
Bureau of Customs (BOC)
Ground Floor, OCOM Building, Port Area, Manila
Tel: (632) 527-4573, 527-4537
Fax: (632) 537-4573
Email: BOCCommissioner@customs.gov.ph

Queries related to tariff nomenclature and classification:

Ms. Zenaida C. Lacar
Director III
Research, Investigation and International Trade Analysis Services (RIITAS)
Philippine Tariff Commission
5th Floor, Philippine Heart Center

Medical Arts Building
East Avenue, Diliman
Quezon City 1100 Philippines
Tel: (632) 433-5898
Fax: (632) 921-7960
E-mail: tarcm@mydestiny.net, info@tariffcommission.gov.ph

Standards Return to top

Overview Return to top

The Bureau of Product Standards (BPS) is the Philippines' National Standards Body (NSB). A governmental agency under the Department Trade and Industry (DTI), it develops, promulgates, implements, and promotes standardization activities as mandated by Republic Act 4109 (Charter of BPS) and the Consumer Act of the Philippines (Republic Act 7394) and including Executive Order No. 133, Series of 1987 (Reorganizing the Department of Trade and Industry, Its Attached Agencies, and for Other Purposes) as amended by Executive Order No. 242, Series of 1987 (amending Executive Order No. 133, Series of 1987, Entitled "Reorganizing the Department of Trade and Industry, Its Attached Agencies and for Other Purposes"), and Executive Order No. 292, Series of 1987 (The Administrative Code of the Philippines).

The BPS formulates Philippine National Standards (PNS) or adopts relevant international or foreign standards to help industries produce quality products or services and raise productivity. These standards not only protect the consumers but also facilitate trade in the global market. Some of these include the family of international standards on Quality Management System (ISO 9000), Environmental Management System (ISO 14000), including other emerging management systems applicable to food, information security, and Quality System for Calibration and Testing Laboratories (ISO 17025) that apply to both the manufacturing and services sectors.

To further provide quality service to its clients, the BPS obtained its ISO 9001 certification from the Certification International Philippines, Inc. (CIPI) for the scope of development and promulgation of standards and product certification.

Product Testing

Along with other BPS recognized and DTI-accredited testing laboratories, BPS likewise offers its clients third-party testing of products through its BPS Testing Center to verify conformity to PNS requirements that support the Philippine Standard (PS) and Import Commodity Clearance (ICC) product certification schemes.

The BPS Testing Center is accredited to ISO/IEC 17025 as attested by the Singapore Accreditation Council.

Standards Enforcement

To ensure that all stakeholders covered by BPS regulations conform to the standard requirements, the BPS in collaboration with the DTI Regional Operations and Development Group (DTI-RODG) actively carry out activities to strengthen the DTI's monitoring and enforcement program. Through nationwide market monitoring activities performed by the DTI's regional and provincial offices, the BPS has a tight watch of the system and products of manufacturers, importers, distributors, dealers and retailers of mandatory products.

Standards Promotion

To strengthen its information program on standards and standardization activities, the BPS, together with the Department of Education (DepEd) and the private sector, conducts the Standards Blitz for elementary (grades 5 and 6), high school and college students. In this program, standards are introduced through visits to the BPS Testing Center and DTI-accredited laboratories to witness how certain products are tested for safety and performance based on the Philippine National Standards (PNS).

The BPS, DepEd and private sector have ready teacher-support materials (TSMs) on standards for formal and non-formal education students and learners. High schools use these TSMs in their Chemistry, *Araling Panlipunan* (Social Studies), Science and Technology, and Technology and Livelihood Education (TLE) subjects. Also available are modules on standards for out-of-school youth or mobile learners in the secondary level of the DepEd alternative system.

BPS has embarked on an aggressive consumer education program called Konsyumer Atbp (KATBP). This DTI "*teleradyo*" program airs simultaneously over ABS CBN's DZMM 630 AM Radio, Skycable Channel 26, and The Filipino Channel (TFC) every Saturday from 10:30 in the morning to 12:00 noon. It aims to increase consumer awareness and understanding, particularly among the youth, regarding standards, prices, monitoring and enforcement activities, product quality and safety characteristics, consumer tips, and trade and industry news.

Other BPS Support Services

Moreover, the BPS provides the following services: Technical Help to Exporters; Standards Data Center; Sales and Publication; and Trainings/Seminars: Basic information on the BPS services is available at the BPS Standards and Conformance Portal (http://www.bps.dti.gov.ph) and queries can be sent to bps@dti.gov.ph.

The BPS operates a National Registration Scheme for Quality Auditors (NRSQA) for the registration of provisional and lead auditors engaged in the assessment of quality systems for ISO 9000 certification, product standards certification, laboratory accreditation, and accreditation of certifying bodies.

International and National Cooperation

To achieve its objectives in standardization and product certification, the BPS has established networks with local government agencies, regional standardization bodies, and specialist regional bodies. This includes the International Organization for Standardization (ISO), International Electro technical Commission (IEC), Asia Pacific Economic Cooperation (APEC), and ASEAN Consultative Committee on Standards and Quality (ACCSQ), among others.

It also supports the WTO Agreement on Technical Barriers to Trade (TBT). As such, BPS has been designated as the notification authority and focal enquiry point on standards, technical regulations and conformity assessment procedures. BPS' involvement with the said bodies/organizations aims to strengthen the country's technical infrastructure for its conformity assessment, testing and calibration, and standards information services.

The BPS signed Mutual Recognition Agreement (MRA) on conformity assessment with several Asian conformity assessment bodies.

BPS as WTO/TBT Inquiry Point

Members of the World trade Organization (WTO) are required under the agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other member countries. The BPS has its WTO/TBT Alert through the BPS URL address – www.bps.dti.gov.ph – where a manufacturer, importer, exporter or distributor can review and comment on proposed foreign technical regulations that can affect their access to international markets.

Standards Organizations Return to top

Organizations that cooperate with BPS in the development of Philippine National Standards:

Mr. Christopher Chan
President
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C/o Mitsuboshi Belting Phils. Corp.
Brgy. Lawang Bato
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Tel: (632) 445-4105 to 10
Fax: (632) 983-9109; 445-4109
Email: chrischan@pacific.net.ph
Website: http://www.philippinerubber.com.ph/

Engr. Jules Alcantara
National President
Institute of Integrated Electrical Engineers of the Philippines, Inc.
41 Monte de Piedad St., Cubao
Quezon City, Philippines
Tel: (632) 721-6442
Fax: (632) 410-1899

Engr. Danilo G. Duya
President
Philippine Society of Ventilating A/C and Refrigerating Engineers (PSVARE)
Unit 924 Cityland Shaw Tower
Corner St. Francis St.
Mandaluyong City, Philippines
Tel: (632) 638-6539
Fax: (632) 910-2721
E-mail: psvare@pldtdsl.net

Hon. Jose Rene Almendras
Secretary
Department of Energy
Energy Center, Merritt Rd. Fort Bonifacio
Taguig City, Philippines
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Fax: (632) 812-6194
E-mail: doe_osec@yahoo.com

Mr. Antonio C. Olizon
President
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Room 305, LTA Building
118 Perea St., Legaspi Village
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Tel: (632) 817-6751; 817-6885
Fax: (632) 817-6884
E-mail: philwood@globelines.com.ph

Mr. Roberto Batungbacal
President
Samahan Sa Pilipinas ng mga Industriyang Kimika (SPIK)
(Chemical Industries Association of the Philippines)
Unit 2201 Cityland 10 Tower
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Makati City, Philippines
Tel/Fax: (632) 814-0970
E-mail: spik.secretariat@gmail.com

Mr. Joseph Jocson
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Unit 725, Cityland Shaw Tower
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Mr. Angelito T. Banayo
Administrator
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Quezon City, Philippines
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Fax: (632) 928-1634

Mr. Gregorio A. Coronel
President
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Website: www.philippineweldingsociety.org

Ms. Sonia T. Valdeavilla
Officer in Charge
Philippine Overseas Construction Board
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Makati City, Philippines
Tel: (632) 896-1831
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Engr. Arthur Lucas Cruz
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Taguig City, Philippines
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Fax: (632) 837-0613

Ms. Nazarita Tacandong
Director
Food and Drug Administration
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Muntinlupa City, Philippines
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Fax: (632) 807-0751; 807-8511; 842-5606
E-mail: nttacandong@yahoo.com

Dr. Carlos C. Tomoboc
Director
Philippine Textile Research Institute
Department of Science and Technology
Bicutan, Taguig City, Philippines
Tel/Fax: (632) 837-1325
E-mail: carlos@dost.gov.ph

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

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The BPS is in close coordination with the Philippine Accreditation Office (PAO), also a DTI office that supports the product certification schemes.

The PAO accredits testing and/or calibration laboratories under its Laboratory Accreditation Scheme conformity assessment bodies, medical laboratories, and inspection bodies. The PAO maintains its signatory status to the International Accreditation Forum/ Pacific Accreditation Cooperation Multilateral Agreement

(IAF/PAC MLA) and the Asia-Pacific Laboratory Accreditation Cooperation-Mutual Recognition Agreement (APLAC-MRA).

Product Certification

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The BPS implements a mandatory product certification for various building and construction, electrical and electronics, chemical and consumer products under its Product Certification Scheme. Products under the BPS list of PNS 'for mandatory certification' cannot be sold or distributed in the Philippine market without the necessary Philippine Standard (PS) or Import Commodity Clearance (ICC) mark.

1. Under the PS Certification Scheme (Department Administrative Order No. 4:2008), a manufacturer obtains a license to use the Philippine Standard (PS) Quality and/or Safety Certification Mark for its capability to consistently manufacture products in accordance with specific PNS or an internationally accepted foreign standard. Conformity to standards is determined on the basis of satisfactory results of the assessment of manufacturer's production and quality assurance processes and its product.

2. Under the ICC certification Scheme (Department Administrative Order No. 5:2008), an importer obtains an ICC certificate after an import shipment has been evaluated by BPS as meeting the requirements of the applicable PNS. The BPS through the DTI Regional and Provincial Offices, subjects import shipments to sampling, testing, and evaluation based on the requirements of specific PNS.

   DAO 05 specifies that importers are offered four (4) options for their applications to be processed which include (1) an application without a Product Test Report but with a Quality Management System (QMS) based on the ISO 9001:2000 and its future amendments; (2) an application with a Product Test Report and with a QMS based on the ISO 9001:2000 and its future amendments; (3) an application without a Product Test Report and without a QMS; (4) an application with the Philippine Standard (PS) license from a foreign supplier.

   There are 85 listed PNS measures that require mandatory certification.

Philippine Accreditation Office

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Introduction

The Philippine Accreditation Office (PAO) is a spin-off from the Bureau of Product Standards (BPS) as a result of the joint resolution of the International Accreditation Forum (IAF) and International Laboratory Accreditation Cooperation (ILAC). Based on ISO/IEC 17011:2004, the international standard for operation of accreditation bodies, accreditation bodies are no longer allowed to also do certification, testing and other services that it accredits. It is viewed as conflict of interest.

Accreditation bodies not conforming to ISO/IEC 17011 will not be accepted into the mutual recognition arrangements (MRAs) of the Pacific Accreditation Cooperation (PAC), International Accreditation Forum (IAF), Asia Pacific Laboratory Accreditation Cooperation (APLAC) and the International Laboratory Accreditation Cooperation (ILAC).

By virtue of Executive Order 124 (Ensuring Effective Operational Structural Arrangements in the Department of Trade and Industry), the then DTI Secretary issued Department Administrative Order No. 4:2006 which transferred the accreditation function of the BPS to the PAO. The PAO was established in 11 April 2006 to carry out independent accreditation of conformity assessment bodies in the Philippines. The PAO operates in accordance with relevant international standards and requirements.

Conformity Assessment

The PAO operates the following accreditation schemes:

a. Testing and Calibration Laboratories (ISO/IEC 17025)
b. Medical Testing Laboratories (ISO 15189)
c. Inspection Bodies (ISO/IEC 17020)
d. Quality Management Certification Bodies (ISO/IEC 17021)
e. Environmental Management Certification Bodies (ISO/IEC 17021)
f. Food Safety Management System Certification Bodies (ISO/IEC 17021 and ISO/TC22003)
g. Product Certification Bodies (ISO/IEC Guide 65)
h. Personnel Certification Bodies (ISO/IEC 17024)
i. Information Security Management System (ISO/IEC 27006)
j. Hazard Analysis Critical Control Point Certification Bodies – CODEX
k. Certification Authorities for Electronic Signatures

World-wide Recognition and International Acceptance

The PAO is a signatory/member to the Mutual/Multilateral Recognition Arrangements (MRAs/MLAs) of: Pacific Accreditation Cooperation (PAC) for Quality Management System (QMS) and Environment Management System (EMS); International Accreditation Forum (IAF); Asia Pacific Laboratory Accreditation Cooperation (APLAC) for testing and calibration (ISO 17025); and International Laboratory Accreditation Cooperation (ILAC).

Contact

Asst. Director Jaime Lasaro L. Olmos
Officer-in-Charge
3/F Trade and Industry Bldg.
361 Sen. Gil J. Puyat Avenue, Makati City
Tel. (632) 751-3235
FAX (632) 751-3262
Email: jaimeolmos@dti.gov.ph
anoga2000@yahoo.com

Management System Accreditation (MSA)

The MSA handles the accreditation of certification bodies offering certification of quality management system, environment management system, food safety management system, and product, among others.

Contact:

Ms. Nanita F. Fidelino
Head, Management System Accreditation
Tel. (632) 751-3128
FAX (632) 751-3262
Email: pao@dti.gov.ph

Laboratory Accreditation

The Laboratory Accreditation (LA) is in charge of accreditation of testing and calibration laboratories (ISO/IEC 17025), medical laboratories (ISO 15189), and inspection bodies (ISO/IEC 17020).

Contact:

Ms. Perla F. Baje
Head, Laboratory Accreditation
Tel. (632) 751-3128
FAX (632) 751-3262
Email: pao@dti.gov.ph

Publication of Technical Regulations Return to top

The approved PNS for mandatory certification are published in the National Printing Office's Official Gazette and two newspapers of general circulation. Draft standards are circulated for comments while still in its draft stage.

Contact details:

Ms. Anne Daisy T. Omila, Head
Standards Information Services
Tel: (632) 751-4736
Fax: (632) 751-4706
E-mail: bps@dti.gov.ph

Labeling and Marking Return to top

The marking and labeling requirements are specified in the Consumer Act of the Philippines and in the specified PNS.

To guide the consumers in the purchase of critical products, including electrical, and electronics, consumer and chemical and construction and building materials, they are encouraged to look for the PS and ICC marks on the products or product packages.

Consumers are educated on these quality and safety marks through the BPS Standards Blitz Program.

Contact details:

Ms. Marie Camille B. Castillo
Head, Standard Promotion and Media Relations
Tel: (632) 751-4740
Fax: (632) 751-4748
E-mail: CamilleCastillo@dti.gov.ph

Contacts

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Officer-in-Charge
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Tel: (632) 751-3126
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E-mail: bps@dti.gov.ph
Website: http://www.bps.dti.gov.ph; http://www.business.gov.ph

Trade Agreements

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AFTA

As a member of the Association of Southeast Asian Nations (ASEAN), the Philippines committed to reduce tariff and non-tariff barriers and investment restrictions within the ASEAN Free Trade Area (AFTA). Under these commitments, ASEAN members agreed to accelerate the tariff reductions in each country's AFTA Common Effective Preferential Tariff (CEPT) Inclusion List. The end goal for the six original ASEAN members is to reduce tariffs to zero for all products in the Inclusion List by 2010 (2015 for the four newer ASEAN members), with flexibility on some sensitive products until 2018. CEPT duty rates are lower than or equal to the most favored nation (MFN) rates accorded to other trading partners, including the United States.

The Philippines is on track in meeting its AFTA commitments and has reduced duties to zero percent on 99 percent of total ASEAN Harmonized Tariff Nomenclature tariff lines. The average CEPT preferential tariff rate on imports from ASEAN countries was reduced from 3.20% in 2003 to 0.92% in 2009. Moreover, the Philippines began implementing preferential rates under the ASEAN-China, ASEAN-Korea, and ASEAN-Australia-New Zealand free trade agreements.

For more information on AFTA, please refer to the following websites:
http://www.aseansec.org/4920.htm
http://www.aseansec.org/12025.htm
http://www.tariffcommission.gov.ph/afta-cep.html

ASEAN Priority Integration Sectors

ASEAN member states agreed to accelerate the establishment of the single market ASEAN Economic Community (AEC) by 2015.

ASEAN is implementing the AEC through the Framework Agreement for the Integration of Priority Sectors and the 11 ASEAN Sectoral Integration Protocols on electronics, e-ASEAN, automotives, textiles and apparel, healthcare, wood-based products, rubber-based products, agro-based products, fisheries, air travel, and tourism. The Philippines eliminated import duties for these priority products in 2007 along with the other ASEAN-6 countries. The remaining ASEAN nations must comply by 2012.

For further information on the ASEAN Priority Sectors, you may refer to the following website: http://www.aseansec.org/AIPS - Framework.doc

APEC

80 percent of all Philippine trade is with other Asia-Pacific Economic Cooperation (APEC) countries, and the Philippines formally committed to its Bogor Goals of free and open trade and investment in the Asia-Pacific for industrialized economies (2010) and developing economies (2020).

The country participates in the Accelerated Tariff Liberalization (ATL) Initiative program of the WTO, originally an APEC program. Since joining, however, the Philippines has noted extensive reservations for both policy and revenue reasons, and has requested flexibility on end dates. The country complies with its tariff reduction commitments with the WTO and ASEAN under its Tariff Reform Program.

For more information on the Philippines and APEC, please refer to the following websites: http://www.apec-iap.org/document/RP_2010_IAP.htm
http://www.tariffcommission.gov.ph/asia.html

PJEPA

The Philippines and Japan signed the Philippine-Japan Economic Partnership Agreement (PJEPA) - the first bilateral free trade agreement for the Philippines - on September 2006. PJEPA seeks the liberalized flow of goods, persons, services, and capital; as well as a comprehensive economic partnership focusing on intellectual property, competition policy, improvement of business environment, human resources development, information and communications technology, and small and medium enterprises.
PJEPA was ratified by the Philippine Senate and entered into force on December 11, 2008.

For detailed information regarding the PJEPA, contact the Philippine Coordinating Committee (PCC) Secretariat at the Bureau of International Trade Relations, Department of Trade and Industry via e-mail at pjepa.secretariat@gmail.com or at telephone numbers (632) 897-8289 and 897-8290.

Other Trade Agreements

Under the ASEAN framework, the Philippines negotiated free trade agreements (FTA) with Japan and India and FTA chapters on trade in services and investments with China, the Republic of Korea, and Australia-New Zealand.

For more information on the Philippines' trade agreements, the point of contact is:

Mr. Ramon Vicente T. Kabigting
Assistant Secretary for International Trade
Bureau of International Trade Relations
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Department of Trade and Industry
4F DTI International Building, 375 Senator Gil J. Puyat Avenue
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http://www.tariffcommission.gov.ph/
http://www.wto.org/english/tratop_e/tariffs_e/tariff_data_e.htm
http://www.tariffcommission.gov.ph/tariff2010.htm
http://www.tariffcommission.gov.ph/orders_issued%20by%20DTI.htm
http://www.tariffcommission.gov.ph/semi-ann1.html
http://www.tariffcommission.gov.ph/safeguar.html
http://www.tariffcommission.gov.ph/anti-dum1.html
http://bpi.da.gov.ph/
http://www.da.gov.ph/
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Manila_Philippines_7-17-2009.pdf
http://www.bsp.gov.ph
http://www.dti.gov.ph/dti/index.php?p=214
http://www.customs.gov.ph
http://www.dti.gov.ph
http://www.da.gov.ph
http://www.bis.doc.gov
http://www.bps.dti.gov.ph/
http://www.dti.gov.ph/uploads/DownloadableForms/Revised%20Rules%20and%20Regulations%20on%20the%20Accreditation%20of%20Importers%20under%20CMO%2015-2009.doc
http://www.philippinerubber.com.ph/
http:// www.philippineweldingsociety.org

http://www.nist.gov/notifyus/
http://www.business.gov.ph
http://www.aseansec.org/4920.htm
http://www.aseansec.org/12025.htm
http://www.tariffcommission.gov.ph/afta-cep.html
http://www.apec-iap.org/document/RP_2010_IAP.htm
http://www.tariffcommission.gov.ph/asia.html

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Chapter 6: Investment Climate

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2012 Investment Climate Statement – Philippines

Overview of Foreign Investment Climate

The Government of the Philippines (GPH) actively seeks foreign investment to promote economic development. The Philippine investment landscape has some noteworthy advantages, such as its free trade zones, including the Philippine Economic Zone Authority (PEZA). Certain industries have experienced impressive growth in recent years, especially those that leverage educated, English-speaking Philippine labor.

Despite these strengths, legal restrictions, regulatory inconsistency, and a lack of transparency hinder foreign investment. In many sectors of the economy, GPH regulatory authority remains ambiguous, and corruption is a significant factor. In addition, a complex and slow judicial system inhibits the timely and fair resolution of commercial disputes.

Measure	Year	Index/Ranking
TI Corruption Index	2011	129 of 182 (2.6)
Heritage Economic Freedom	2011	115 of 179 (56.2)
World Bank Doing Business	2012	136 of 183
MCC Gov't Effectiveness	2012	83%
MCC Rule of Law	2012	38%
MCC Control of Corruption	2012	24%
MCC Fiscal Policy	2012	50%
MCC Trade Policy	2012	56%
MCC Regulatory Quality	2012	69%
MCC Business Start Up	2012	48%
MCC Land Rights Access	2012	50%
MCC Natural Resource Protection	2012	82%

Philippine law generally treats foreign investors the same as their domestic counterparts, with important exceptions outlined in the Foreign Investment Act (detailed below). Corporations or partnerships must register with the Securities and Exchange Commission (SEC) and sole proprietorships must be registered with the Bureau of Trade Regulation and Consumer Protection (BTRCP) in the Department of Trade and Industry (DTI). Investors generally report that the Philippine bureaucracy is nondiscriminatory but slow to process these requirements.

The Foreign Investment Negative List is actually two lists, which outline sectors that are restricted or limited in terms of foreign investment under the 1991 Foreign Investment Act. The Foreign Investment Act also requires the Philippine government to publish an updated negative list every two years to reflect changes in law; the eighth negative list was promulgated in February 2010 and release of the ninth is expected in early 2012. This relatively long list of foreign investment limitations contribute to the poor Philippine record in attracting foreign investment. List A enumerates investment sectors and activities for which foreign equity participation is restricted by mandate of the Constitution and specific laws. List B enumerates areas where foreign ownership is restricted or limited (generally at 40 percent) for reasons of national security, defense, public health, safety, and morals. The restrictions stem from a constitutional provision permitting Congress to reserve to Philippine citizens certain areas of investment and limit foreign participation in public utilities or their operation. No mechanism exists for a waiver under the negative lists.

Only Philippine citizens can practice licensed professions such as engineering, medicine and allied professions, accountancy, architecture, interior design, chemistry, environmental planning, social work, teaching, and law. Top positions and elective officers of majority foreign-owned enterprises (i.e., president, general manager, and treasurer or their equivalents) are exempt from these restrictions. Companies that register with the Board of Investments (BOI) may employ foreign nationals in supervisory, technical, or advisory positions for five years from registration, extendable for limited periods at the discretion of the BOI.

The 1987 Constitution prohibits foreign nationals from owning land in the Philippines. The Investors' Lease Act of 1994 allows foreign investors to lease a contiguous land parcel of up to 1000 hectares for 50 years, renewable once for 25 years. In mid-2003, the Dual-Citizenship Act allowed natural-born Filipinos who became naturalized citizens of a foreign country to re-acquire Philippine citizenship. Philippine dual citizens now have full rights of possession of land and property. Ownership deeds continue to be difficult to establish, are poorly reported and regulated, and the court system is slow to resolve cases. Other investment areas reserved for Filipinos include: mass media (except recording); small-scale mining; private security; utilization of marine resources, including small-scale utilization of natural resources in rivers, lakes, and lagoons; and the manufacture of firecrackers and pyrotechnic devices.

The retail trade industry is highly restricted to foreign investment. Retail trade enterprises with paid-up capital of less than $2.5 million, or less than $250,000 for retailers of luxury goods, are reserved for Filipinos. Foreign ownership of retail trade enterprises with paid-up capital of $2.5 million and above is now allowed, with initial capitalization requirements. Enterprises engaged in financing and securities underwriting that are regulated by the SEC are limited to 60 percent foreign ownership.

Other specific limits on foreign investment include: private radio communications networks (20 percent); employee recruitment and locally-funded public works construction and repair (25 percent); advertising agencies (30 percent); natural resource exploration, development, and utilization (40 percent, with exceptions); education institutions (40 percent); operation and management of public utilities (40 percent); operation of commercial deep-sea fishing vessels (40 percent); Philippine government procurement contracts (40 percent for supply of goods and commodities; 25 percent for construction of locally-funded public works, with some exceptions); adjustment companies (40 percent); operations of BOT projects in public utilities (40 percent); ownership of private lands (40 percent); rice and corn processing (40 percent, with some exceptions).

The Philippines also limits foreign ownership for reasons of national security, defense, public health, safety, and morals, including explosives, firearms, military hardware, and massage clinics, which are all generally limited to 40 percent foreign equity. Foreign ownership in small- and medium-sized enterprises is also limited to 40 percent in non-export firms.

Although outside of the coverage of the Foreign Investment Act, foreign ownership restrictions also apply to the banking sector. In 1994, the banking liberalization law capped the number of new foreign banks that could open full-service branches in the Philippines; all 10 licenses have been issued and these foreign banks are limited to six branch offices each. In addition, four foreign banks that were operating in the Philippines prior to 1948 were allowed to open up to six branches each. Foreign banks that qualify under the law – publicly-listed and with national or global rankings – may own up to 60 percent in a locally-incorporated subsidiary. Foreign investors that do not meet these requirements are limited to a 40 percent stake. Since 1999, the Bangko Sentral ng Pilipinas (Central Bank) has imposed a moratorium on the issuance of new bank licenses, limiting investments to existing banks, although micro-finance institutions are exempt. Philippine law also requires that majority Filipino-owned banks must, at all times, control at least 70 percent of total banking system resources in the country.

The insurance industry is open to 100 percent foreign ownership, but with a sliding scale of minimum capital requirements depending on the degree of foreign ownership. As a general rule, only the state-owned Government Service Insurance System (GSIS) may provide coverage for government-funded projects and government corporations undergoing privatization process. Build-Operate-Transfer (BOT) projects may only secure insurance and bonds issued by the GSIS and/or surety or insurance companies duly accredited by the Office of the Insurance Commissioner.

Offshore companies not incorporated in the Philippines may underwrite Philippine issues for foreign markets, but not for the domestic market. The Lending Company Regulation Act of 2007 requires majority Philippine ownership for such enterprises, to establish a regulatory framework for credit enterprises that do not clearly fall under the scope of existing laws. Current law also restricts membership on boards of directors for mutual fund companies to Philippine citizens.

In addition to the restrictions detailed in the Foreign Investment Negative List, firms with more than 40 percent foreign equity that qualify for BOI incentives must divest to the 40 percent level within 30 years from registration date or within a longer period determined by the BOI. Foreign-controlled companies that export 100 percent of production are exempt from this requirement. Certain non-luxury retail establishments must offer at least 30 percent of their equity to the public within eight years from the start of operation.

The Philippine Mining Act of 1995 allows a foreign entity full ownership of a company involved in large-scale exploration, development, and utilization of mineral resources, as arranged through Financial and Technical Assistance Agreements with the Philippine government.

The Build-Operate-Transfer (BOT) Law provides the legal framework for private sector participation in large infrastructure projects and similar types of government contracts. Franchises in public utilities – railways or urban rail mass transit systems, electricity distribution, water distribution, and telephone systems – may only be awarded to enterprises with at least 60 percent Philippine ownership. U.S. firms have won contracts under the law and similar arrangements, mostly in the power generation sector. However, more active foreign participation under BOT and similar public-private arrangements can be frustrated by legal administration problems, including: weaknesses in planning, tendering, and executing private sector infrastructure projects; regulatory and legal challenges to collecting and/or increasing tolls and fees; and lingering ambiguities about the level of guarantees and other support provided by the government.

To attract investors to its Public-Private Partnership (PPP) infrastructure projects, the Aquino administration established the “PPP Center” to promote transparency and oversee project development and approval; allocated resources for right-of-way and land acquisition; and announced a relaxation in single borrower (SB) limits for Philippine banks that finance PPP arrangements, subject to risk management requirements. Addressing limitations on foreign investment will be critical to the Aquino administration’s stated goal of aggressively promoting PPPs/BOTs to supplement insufficient public sector resources for vital infrastructure.

Conversion and Transfer Policies

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The Central Bank has worked since 2007 to relax and streamline the Philippine foreign exchange (forex) regulatory framework. There are no restrictions on the full and immediate transfer of funds associated with foreign investments, foreign debt servicing, or payment of royalties, lease payments, and similar fees.
Central Bank regulations spell out specific requirements for foreign exchange purchases from banks and their subsidiary foreign exchange corporations; and from non-bank foreign exchange dealers, money changers, and remittance agents. There is no mandatory foreign exchange surrender requirement imposed on export earners and other foreign exchange earners such as overseas workers. The Central Bank follows a market-determined exchange rate policy, with scope for intervention targeted mainly at smoothing excessive foreign exchange volatility.

Expropriation and Compensation

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Philippine law allows for expropriation of private property for public use or in the interest of national welfare or defense. In such cases, the GPH offers compensation for the affected property. In the event of expropriation, foreign investors have the right under Philippine law to remit sums received as compensation in the currency in which the investment was originally made and at the exchange rate at the time of remittance. However, agreeing on a mutually-acceptable price can be a protracted process.

There are no recent cases of actual expropriation involving U.S. companies in the Philippines. However, BOT contractors in the energy sector, including U.S. firms, have reported disputes on real property tax assessments with local government units (LGUs). In some cases, the LGUs have initiated auction and/or confiscation proceedings on the contractors' assets, which the companies are challenging in the courts.

Dispute Settlement

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Investment disputes can take years for parties to reach final settlement. A number of GPH actions in recent years have raised questions over the sanctity of contracts in the Philippines and have clouded the investment climate. In the past, high-profile cases include the GPH-initiated review and renegotiation of contracts with independent power producers, court decisions voiding allegedly tainted and disadvantageous BOT agreements, and challenges to the extent of foreign participation in large-scale natural resource exploration activities, such as mining.

Many foreign investors describe the inefficiency and uncertainty of the judicial system as a significant disincentive for investment. The judiciary is constitutionally independent of the executive and legislative branches and faces many problems, including understaffing and corruption. The GPH is pursuing judicial reform with foreign donor support, through projects such as the U.S. Country Assistance Strategy 2009-2013; the Asian Development Bank's Governance in Justice Sector Reform Program, and the World Bank Judicial Reform Project.

The Philippines is a member of the International Center for the Settlement of Investment Disputes and of the Convention on the Recognition and Enforcement of Foreign Arbitral

Awards. However, Philippine courts have, in several cases involving U.S. and other foreign firms, shown a reluctance to abide by the arbitral process or its resulting decisions. Enforcing an arbitral award in the Philippines can take years.

A long-awaited insolvency law designed to recognize creditor rights and respect the priority of claims replaced the century-old Insolvency Act in July 2010. Subject to certain conditions, rehabilitation may be initiated by debtors or creditors under court-supervised, pre-negotiated, or out-of-court proceedings. The law also sets the conditions for voluntary (debtor-initiated) and involuntary (creditor-initiated) liquidation. The acts recognizes cross-border insolvency proceedings and the United Nations Center for International Trade and Development's Model Law on Cross-Border Insolvency, allowing the courts to provide relief arising from insolvency or rehabilitation proceedings in a foreign jurisdiction involving a foreign entity with assets in the Philippines. Regional trial courts designated by the Supreme Court as commercial courts have jurisdiction over insolvency and bankruptcy cases. Although enforcement remains key, the new law seeks to provide a clear, transparent, and predictable legal framework for the rehabilitation and liquidation of distressed enterprises, which used to be governed by outmoded legislation and a cacophony of sometimes ambiguous and inconsistent rulings, procedures, and other jurisprudence subject to challenges and protracted delays.

Performance Requirements and Incentives Return to top

Performance Requirements

Performance requirements are usually based on an approved project proposal, established by the BOI for those investors who are granted incentives. BOI-registered companies provide a projected yearly production schedule and export performance targets; registered projects must maintain at least 25 percent of total project cost in the form of equity and comply with the 25 percent local value-added sourcing requirement

Certain industries have been subject to more specific local sourcing requirements. However, provisions requiring foreign retailers to source locally lapsed in March 2010.

The Philippines is not a signatory to the WTO Agreement on Government Procurement. The Government Procurement Reform Act of 2003 requires the public sector to procure goods, supplies, and consulting services from enterprises that are at least 60 percent Filipino-owned and infrastructure services from enterprises with at least 75 percent Filipino interest. Although Philippine law outlines objective criteria for selection of a single portal electronic procurement system, U.S. and other foreign companies continue to raise concerns about irregularities in government procurement and inconsistent implementation.

Philippine law also gives preference to local products and/or Filipino-controlled enterprises in the bid evaluation process for public sector purchases of goods and supplies. When the lowest bid is from a supplier of imported goods and/or from a foreign-owned enterprise, the lowest domestic bidder can claim preference and match the offer, provided its original bid was no more than 15 percent higher than that of the foreign bidder or foreign entity.

Filipino consultants also enjoy preferential treatment in government projects. If Filipino consultants work for foreigners on such projects due to technical need, the law requires that they are the lead consultants. Where foreign funding is indispensable, foreign consultants must enter into joint ventures with Filipinos. Multilateral donor agencies report that their implementing partners have thus far been able to comply with both donors' internal procurement guidelines and Philippine law. Foreign bidders may participate in foreign-funded development assistance projects, provided the foreign assistance agreement expressly provides for use of the foreign government or international financing institution's procurement procedures and guidelines. The Official Development Assistance Act further authorizes the President to waive statutory preferences for local suppliers for foreign-funded projects.

The Government Procurement Reform Act does not cover projects under the BOT Law, which allows investors in qualifying projects to engage the services of Philippine and/or foreign firms for the construction of infrastructure projects. Procurement by government agencies and government-owned or controlled corporations is subject to a countertrade requirement entailing the payment of at least $1 million in foreign currency. Implementing regulations set the level of countertrade obligations at a minimum of 50 percent of the import price and set penalties for nonperformance of countertrade obligations.

Incentives

Per the Senate Tax Study and Research Office, there are about 180 fiscal incentives laws and issuances in the Philippines as of June 10, 2010. President Benigno Aquino III has stated his support for fiscal incentives rationalization publicly and listed fiscal incentives reform as a priority legislative measure. A number of bills have been filed in the Philippine Congress but the scope and detail of reform remain contentious, including proposals by a key cabinet secretary to phase out income tax holidays in lieu of strategic subsidy programs.

Every year, the Investment Priorities Plan (IPP) outlines the list of investment areas entitled to incentives. The 2011 IPP retains priority investment areas such as: agriculture/agribusiness and fisheries; infrastructure; green projects; business process outsourcing; research and development; disaster prevention, mitigation and recovery; creative industries; and, strategic projects. The Aquino administration added the following to the 2011 Plan: PPP projects; shipbuilding; mass housing; energy; motor vehicles; and, tourism.

Screening for the legitimacy and regulatory compliance of companies seeking investment incentives appears to be nondiscriminatory, but the application process can be complicated since incentives granted by the BOI often depend on action by other agencies, such as the Department of Finance (DOF), including its Bureau of Customs (BOC). Among the significant incentives offered to BOI-registered companies include: 4-6 year income tax holiday; tax deductions for necessary and major infrastructure works for companies located in less-developed areas; tax and duty exemptions on importation of breeding stocks and imported supplies and spare parts; exemption from wharfage dues and any export tax, duty, impost, and fees on non-traditional export products for ten years; the ability to employ foreign nationals in supervisory, technical, or advisory positions for five years extendible at the discretion of the Board; and, the simplification of customs procedures.

To encourage wider distribution of industry across the Philippines, BOI-registered enterprises that locate in less-developed areas and the thirty poorest provinces are automatically entitled to so-called "pioneer" incentives. Such enterprises can deduct 100 percent of infrastructure outlays from taxable income. A company may also deduct 100 percent of incremental labor expenses for five years, which is double the rate allowed for BOI-registered projects not located in less-developed areas.

In addition to the general incentives available to BOI-registered companies, a number of incentives apply specifically to export-oriented firms. An enterprise with more than 40 percent foreign equity that exports at least 70 percent of its production may still be entitled to incentives even if the activity is not listed in the IPP. These include: tax credit for taxes and duties paid on imported raw materials used in the processing of export products; exemption from taxes and duties on imported spare parts; and, access to customs bonded manufacturing warehouses.

The BOI is flexible with the enforcement of individual export targets, provided that exports as a percentage of total production do not fall below the minimum requirement (50 percent for local firms and 70 percent for foreign firms). BOI-registered foreign controlled firms that qualify for export incentives are subject to a 30-year divestment period, at the end of which at least 60 percent of equity must be Filipino-controlled. Foreign firms that export 100 percent of production are exempt from this divestment requirement.

Export-oriented firms with at least 50 percent of their revenues derived from exports may register for additional incentives under the Export Development Act of 1994. Registered exporters may be eligible for both these and BOI incentives, provided the exporters are registered according to BOI rules and regulations and the exporter does not take advantage of the same or similar incentives twice. Specific export incentives include a tax credit ranging from 2.5 to 10 percent of annual incremental export revenue.

Philippine law also provides incentives for multinational enterprises to establish regional or area headquarters and regional operating headquarters in the Philippines. Regional headquarters are defined as branches of multinational companies that do not earn or derive income from the country, and which act as supervisory, communications, or coordinating centers. Incentives for regional headquarters include: exemption from income tax; exemption from branch profits remittance tax; exemption from value-added tax; sale or lease of goods and property and rendition of services to the regional headquarters subject to zero percent value-added tax; exemption from all taxes, fees, or charges imposed by a local government unit (except real property taxes); value-added tax and duty-free importation of training and conference materials and equipment solely used for the headquarters functions.

Regional operating headquarters enjoy many of the same incentives as regional headquarters but, being income generating, are subject to the standard 12 percent value-added tax, applicable branch profits remittance tax, and a preferential ten percent corporate income tax. Privileges extended to foreign executives working at these operations include tax and duty-free importation of personal and household effects, and immigration benefits for executives. Eligible multinationals establishing regional operating headquarters must spend at least $200,000 yearly to cover operations.

Multinationals establishing regional warehouses for the supply of spare parts, manufactured components, or raw materials for their foreign markets also enjoy incentives on imports that are re-exported. Re-exported imports are exempt from customs duties, internal revenue taxes, and local taxes. Imported merchandise intended for the Philippine market is subject to applicable duties and taxes.

Right to Private Ownership and Establishment Return to top

Philippine law recognizes the private right to acquire and dispose of property or business interests, subject to foreign nationality caps specified in the Philippine Constitution and other laws. The 1987 Constitution grants the government authority to regulate competition and prohibit monopoly, although there is no implementing law. The Aquino administration has described the enactment of an anti-trust law as a top legislative priority. Congress is currently considering several competition-themed bills. Pending passage of anti-trust legislation, President Benigno Aquino III issued an Executive Order in June 2011 designating the Department of Justice (DOJ) as the government's competition authority.

A few sectors are closed to private enterprise, generally on grounds of security, health, or "public morals." For example, the Philippine government operates or licenses all casinos through the Philippine Amusement and Gaming Corporation (PAGCOR) and runs lottery operations through the Philippine Charity Sweepstakes Office (PCSO).
Only the state-owned GSIS may insure government-funded projects. BOT projects and partially privatized government corporations must meet insurance and bonding requirements from the government insurance system, in proportion to GPH interests. In addition, government funds should, as a general rule, be deposited in the Central Bank and government-owned banks.

Protection of Property Rights Return to top

Delays and uncertainty associated with a cumbersome court system continue to concern investors, even though the Philippines has established procedures and systems for registering claims on property. Questions regarding the general sanctity of contracts, and the property rights they support, have also clouded the investment climate.
Of particular concern in the Philippines is the challenge of intellectual property rights protection, for which the Philippines is listed on United States Trade Representative (USTR) Special 301 Watch List. U.S. distributors continue to report high levels of pirated optical discs of cinematographic, musical works, computer games, and business software, as well as widespread unauthorized transmissions of motion pictures and other programming on cable television systems. Trademark infringement of a variety of product lines is also widespread, with counterfeit merchandise openly available in all major cities.

The Intellectual Property (IP) Code provides the legal framework for intellectual property rights protection in the Philippines, especially in the key areas of patents, trademarks, and copyright. The Electronic Commerce Act extends the legal framework established by the IP Code to the Internet. Investor concerns include deficiencies in the IP Code and other IP laws that have unclear provisions relating to the rights of copyright owners over broadcast, rebroadcast, cable retransmission, or satellite retransmission of their works, and burdensome restrictions affecting contracts to license software and other technology.

The Philippines has generally strong patent and trademark laws. Its first-to-file patent system grants patents valid for 20 years from the date of filing; the holder of a patent is guaranteed an additional right of exclusive importation of his invention. However, the Cheaper Medicines Act of 2008 limits patent protection for pharmaceuticals, and significantly liberalizes the grounds for the compulsory licensing of pharmaceuticals, although this provision has not been implemented to date. Trademark law protects well-known marks, which do not need to be in actual use or registered to be protected under the law, and prior use of a trademark in the Philippines is not required to file a trademark application. The GPH is working its accession to the Madrid Protocol, an agreement that facilitates the protection of trademarks in a large number of countries by obtaining an international registration.

In the area of copyright law, the Philippines has not enacted necessary amendments to its IP Code that would fully implement the World Intellectual Property Organization (WIPO) Copyright and Performances and Phonograms treaties, despite being a WIPO member and having acceded to the treaties. However, Philippine law does protect computer software as a literary work, and exclusive rental rights may be offered in several categories of works and sound recordings. Terms of protection for sound recordings, audiovisual works, and newspapers and periodicals are compatible with the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS). The enactment of the Anti-Camcording Act in 2010 provided stringent penalties for illegal camcording of motion pictures in theaters but the long-term effect of the law remains uncertain.

The IP Code also recognizes industrial designs, performers' rights, and trade secrets. The registration of a qualifying industrial design is for a period of five years and may be renewed for two consecutive five-year periods. While Philippine law recognizes performers' rights for 50 years after death, the exercise of exclusive rights for copyright owners over broadcast and retransmission is ambiguous. While there are no codified rules on the protection of trade secrets, Philippine officials assert that existing civil and criminal statutes protect trade secrets and confidential information. Other important laws defining intellectual property rights are the Plant Variety Protection Act, which provides plant breeders intellectual property rights consistent with the 1991 Union for the Protection of New Varieties of Plants Convention, and the Integrated Circuit Act, providing WTO-consistent protection for the layout designs of integrated circuits.
Generally, the Philippine government enforcement agencies are most responsive to those copyright owners who actively work with them to target infringement. Agencies will not proactively target infringement unless the copyright owner brings it to their attention and works with them on surveillance and enforcement actions. The Intellectual Property Office (IPO) has jurisdiction to resolve certain disputes concerning alleged infringement and licensing. In June 2011, IPO launched its IPR Arbitration Center to receive and facilitate IP disputes presented to the center for review, resolution, and settlement through arbitral proceedings. Although intellectual property owners have sometimes used the IPO's administrative complaint system as an alternative to the judicial court system, the process can be slow-moving due to limited resources. Joint

efforts between the private sector and the National Bureau of Investigation (NBI), Philippine National Police (PNP), Bureau of Customs (BOC), Optical Media Board (OMB), and several local government units have resulted in some successful enforcement actions.

Enforcement actions are not often followed by successful prosecutions. Intellectual property infringement is not considered a major crime within the Philippine judicial system and takes a lower precedence in court proceedings. In October 2011, the Philippine Supreme Court approved Rules of Procedure for Intellectual Property Rights Cases, a key judicial reform identified in several recent Special 301 reports. The special rules include: streamlined procedures to expedite cases and rules of evidence for IPR cases; provisions for the speedy, summary destruction of seized goods; designation of four courts with national jurisdiction to issue search warrants; and regional IP commercial courts. The special rules have the potential to improve IPR-related convictions as it shortens lengthy court action that led many cases to be settled out of court. Since 2001, there have been sixty-four convictions for IP violations with no convictions in 2009 or 2010, while data for 2011 is not yet available as of the reporting period. Convicted intellectual property violators rarely spend time in jail, since the six year penalty enables them to apply for probation immediately under Philippine law.

Transparency of Regulatory System

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Philippine national agencies are required by law to develop regulations via a public consultation process, often involving public hearings. In most cases, this ensures some transparency in the rulemaking process. New regulations must be published in national newspapers of general circulation or in the GPH's official gazette before taking effect.

On the enforcement side, however, regulatory action is often weak, inconsistent, and unpredictable. Regulatory agencies in the Philippines are generally not statutorily independent, but are attached to cabinet departments or the Office of the President and, therefore, subject to political pressure. Many U.S. investors describe business registration, customs, immigration, and visa procedures as burdensome and a source of frustration. To counter this, some agencies, such as the SEC, BOI, and the Department of Foreign Affairs (DFA), have established express lanes or "one-stop shops" to reduce bureaucratic delays, with varying degrees of success.

Efficient Capital Markets and Portfolio Investment

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The Philippines is generally open to foreign portfolio capital investment. Non-residents may purchase domestically-issued securities and invest in money market instruments, as well as peso-denominated time deposits, though foreign exchange purchases face some restrictions. The securities market is growing but remains relatively small and underdeveloped, with a limited range of choices. The securities/bond market is dominated by government bills/bonds. Although growing, long-term bonds and commercial paper are not yet major sources of private financing, except for a few large firms.

Philippine Stock Exchange

Membership in the Philippine Stock Exchange (PSE) is open to foreign-controlled stock brokerages incorporated under Philippine law. Although growing, the Philippine stock market lags many of its neighbors in size, product offerings, and trading activity. Investments in any publicly-listed firm on the PSE are governed by foreign ownership ceilings stipulated in the Constitution and other laws.

The market is highly concentrated. There are less than 260 listed firms and the ten most actively-traded companies account for between 40-50 percent of trading value and domestic market capitalization. To encourage publicly-listed companies to widen their investor base, the PSE introduced reforms in 2006 to include trading activity and free float criteria in the selection of companies comprising the stock exchange index. The 30 companies included in the benchmark index are subject to review every six months. In October 2010, the PSE reinstated a policy for listed companies to maintain at least 10 percent public ownership of their issued and outstanding shares to promote greater market liquidity and fairer and more transparent stock pricing.

Hostile takeovers are not common because most company shares are not publicly listed and controlling interest tends to remain with a small group of parties. Cross-ownership and interlocking directorates among listed companies also lessen the likelihood of hostile takeovers.

The Securities Regulation Code of 2000 strengthened investor protection by requiring full disclosure in the regulation of public offerings, and implementing stricter rules on insider trading, mandatory tender offer requirements, and the segregation of broker-dealer functions. The Code also significantly increased sanctions for securities violations, and mandated steps to improve the internal management of the stock exchange and future securities exchanges. Moreover, the Code expressly prohibits any one industry group (including brokers) from controlling more than 20 percent of the stock exchange's voting rights, though the PSE has yet to fully comply.

The enforcement of these strengthened laws is mixed. While there has been some progress from the creation of special commercial courts, the prosecution of stock market irregularities can be subject to delays and uncertainties of the Philippine legal system.

Banking

As of September 2011, the five largest commercial banks in the Philippines represented nearly 53 percent of total commercial banking system resources, with estimated total assets the equivalent of about US$159 billion. The Central Bank has worked to strengthen banks' capital bases, reporting requirements, corporate governance, and risk management systems.

Commercial banks' published average capital adequacy ratio was 17.4 percent on a consolidated basis as of March 2011, above the ten percent statutory limit and the eight percent internationally-accepted benchmark. Time-bound fiscal and regulatory incentives to encourage the sale of non-performing assets to private asset management companies promoted a resilient post-Asian crisis banking sector in the Philippines. Philippine banks also had limited direct exposure during the global financial crisis to investment products issued by troubled financial institutions overseas. As of September 2011, non-performing loans and non-performing asset ratios of commercial banks were estimated at 2.6 percent and 3.0 percent.

The General Banking Law of 2000 paved the way for the Philippine banking system to phase in these internationally accepted, risk-based capital adequacy standards. In 2007, the Philippines adopted the Basel 2 capital adequacy framework, expanding coverage from credit and market risks to include operational risks and enhancing the risk-weighting framework. The Central Bank began the staggered adoption of Basel 3 capital adequacy rules in January 2011. Other important provisions of the General Banking Law strengthened transparency, bank supervision, and bank management. However, some impediments remain to more effective bank supervision and prompt corrective action, including: stringent bank deposit secrecy laws; the need to secure the affirmative vote of at least five Monetary Board members before a bank can be examined within a period of less than 12 months from last examination; and, inadequate liability protection for Central Bank officials and bank examiners.

Credit is generally granted on market terms and foreign firms are able to obtain credit from the domestic market. However, some laws require financial institutions to set aside loans for certain preferred sectors, which may translate into increased costs and/or credit risks. According to the Agri-Agra Law, banks must set aside 25 percent of loanable funds for agricultural credit, with at least ten percent earmarked for agrarian reform programs and beneficiaries. In early 2010, a new law tightened alternative modes of compliance – which used to include low-cost housing, educational, and medical developmental loans – to those directly targeting the agricultural sectors. Recent investor experience with agri-agra eligible bonds raise questions about implied guarantees by the Philippine government and investors are cautioned to exercise due diligence.

Banks are also required to set aside ten percent of their loans for micro-, small- and medium-sized borrowers, 80 percent of which should be earmarked for micro and small enterprises. While most domestic banks are able to comply with these mandatory lending requirements, operating and branching restrictions make it more difficult for foreign banks to comply.

Direct lending by non-financial government agencies is limited to the Department of Social Welfare and Development, focusing on the poorest areas not being served by micro-finance institutions.

Anti-Money Laundering and Information Exchange

The Paris-based Financial Action Task Force (FATF) continues to monitor implementation of the Philippine Anti-Money Laundering Act through the Anti-Money Laundering Council. Covered institutions include foreign exchange dealers and remittance agents, which are required to register with the Central Bank and must comply with various Central Bank regulations and requirements related to the implementation of the Philippines' anti-money laundering law. The Philippines is a member of the Egmont Group, the international network of financial intelligence units and the Asia Pacific Group on Money Laundering.

The Asia Pacific Group on Money Laundering conducted a comprehensive peer review of the Philippines in September 2008. In October 2010, FATF included the Philippines in a list of jurisdictions with "strategic deficiencies" that posed potential risks to the international financial system. FATF's International Cooperation Review Group and the Philippine government agreed on an action plan to address these deficiencies, which was presented during FATF's October Plenary. Legislation to address remaining major deficiencies is pending before the Philippine Congress.

Following the signing into law of the Exchange of Information on Tax Matters Act in March 2010 and the issuance of implementing rules and regulations in September 2010, the Organization for Economic Cooperation and Development (OECD) upgraded the Philippines from its tax standards "blacklist" to the list of jurisdictions that "have substantially implemented the internationally agreed tax standard" for the exchange of information.

Accounting Standards

In 2005, the Philippines adopted accounting and financial reporting standards, with limited exceptions, patterned after International Financial Reporting and Accounting Standards issued by the International Accounting Standards Board (IASB). Effective January 1, 2010, the Philippines also adopted the International Financial Reporting Standards for Small- and Medium-sized Entities which, except for limited circumstances, apply to enterprises which do not have public accountability and with total assets from 3 million to 350 million pesos or liabilities from 3 million to 250 million pesos. Philippine auditing standards are based mainly on the International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Philippine SEC requires an entity's Chairman of the Board, Chief Executive Officer, and Chief Financial Officer to assume management responsibility and accountability for financial statements. The SEC reviews and revises guidelines, as necessary, on the accreditation of auditing firms and external auditors to promote quality control and discipline in the financial reporting environment. Certain regulatory agencies, such as the Central Bank, Insurance Commission, and Bureau of Internal Revenue, enforce separate accreditation rules. The SEC requires listed companies to disclose to the SEC any material external audit findings within five days of receipt. Material findings include fraud or error, losses or potential losses aggregating 10 percent or more of company assets, indications of company insolvency, and internal control weaknesses that could result in financial reporting problems.

A number of local accountancy firms are affiliated with the "Big Four" international accounting firms, namely KPMG, PricewaterhouseCoopers, Ernst & Young, and Deloitte Touche.

Outward Investments

Outward capital investments from the Philippines do not require prior approval from the Central Bank under the following conditions: the outward investments are funded by withdrawals from foreign currency deposit accounts; the funds to be invested are not purchased from the banking system or foreign exchange corporations that are subsidiaries of banks; or, the funds to be invested do not exceed $60 million per investor or per fund per year (if sourced from the banking system or bank-affiliated foreign exchange corporations).

Outward investments exceeding $60 million that are funded with foreign exchange purchases from banks and their subsidiary foreign exchange corporations are subject to prior Central Bank approval. Qualified investors, such as mutual funds, pension or retirement funds, investment trust funds, and insurance companies may apply for a higher annual outward investment limit. All outward investments of banks in subsidiaries and affiliates abroad require prior Central Bank approval.

Revised regulations approved in November 2011 lifted a requirement for residents to inwardly remit and sell for pesos earnings from profits/dividends or divestment proceeds from outward investments which were funded with foreign exchange purchased from banks or their subsidiary foreign exchange corporations.

Competition from State Owned Enterprises Return to top

Private and state-owned enterprises (SOEs) generally compete equally, with some clear exceptions. The governmental National Food Authority (NFA) has, at times, been the sole legal importer of rice, though in 2011 the GPH ceded about 77 percent of all rice importation to the private sector. In the insurance sector, only the state-owned GSIS may provide coverage for the government's insurance risks and interests, although the industry was opened up to 100 percent foreign ownership in 1994. All BOT projects and privatized government corporations must fulfill all insurance and bonding requirements from the GSIS, at least in proportion to GPH holdings.

The GPH has also intervened to directly cap or control pricing in some additional private markets. In the wake of the 2009 typhoons, the Philippine government imposed temporary price controls on gasoline and a basket of basic goods and services. Under Philippine law, the President may freeze prices on basic goods and services for a period of 90 days under a state of emergency.

The Philippine government's privatization program is managed by the Privatization Management Office under the Department of Finance. Apart from restrictions under the Foreign Investment Negative List, there are no regulations that discriminate against foreign buyers. The bidding process appears to be transparent, though the Supreme Court has twice overturned high profile privatization transactions to foreign buyers. The Power Sector Assets and Liabilities Management Corporation is mandated to sell 70 percent of the government-owned National Power Corporation's (NPC) generating assets and transfer 70 percent of NPC-Independent Power Producer contracts to private companies.

The Philippine government has opened access and retail competition through several measures, including: the unbundling of rates; removal of cross-subsidies; establishment of the Wholesale Electricity Spot Market; and, privatization of 92 percent of NPC's generation assets (as of mid-2010).

Corporate Social Responsibility

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Corporate social responsibility (CSR) constitutes a basic aspect of most significant business operations in the Philippines. U.S. companies report strong and favorable response to CSR programs among employees and within local communities. Many CSR programs focus on poverty alleviation efforts, promotion of the environment, health initiatives, and education. Under the 2011 IPP, registered enterprises with pioneer incentives must undertake CSR activities in accordance with the development plans of the community where the project is located. Said enterprises must submit proof of their CSR program to be eligible for their last two years of income tax holiday grant. In some cases, the GPH has compelled its own entities to engage in CSR. For example, the Philippine Bases Conversion and Development Authority is mandated to declare portions of its property in Fort Bonifacio and surrounding areas as low-cost housing sites.

Political Violence

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Terrorist groups and criminal gangs operate in some regions of the country. The Department of State publishes a consular information sheet at http://travel.state.gov and advises all Americans living in or visiting the Philippines to review this information periodically. The Department of State has issued a travel warning to U.S. citizens contemplating travel to the Philippines at http://travel.state.gov/travel/travel_1744.html. The Department strongly encourages visiting and resident Americans in the Philippines to register with the Consular Section of the U.S. Embassy in Manila through the State Department's travel registration website, http://travelregistration.state.gov/.

Arbitrary, unlawful, and extrajudicial killings by national, provincial, and local government actors continue to be serious problems. The justice system is constrained by limited resources and staffing that result in limited investigations, few prosecutions, and lengthy trials. Corruption, impunity, and abuse of power remain endemic.

On May 10, 2010, approximately 75 percent of registered citizens voted in elections for president, both houses of congress, and provincial and local governments. The election was generally free and fair, but was marked by some violence and allegations of vote buying and electoral fraud.

Peace talks between the government and the Mindanao-based insurgent group Moro Islamic Liberation Front (MILF) are ongoing. The peace process had stalled in August 2008 after the Supreme Court placed a temporary restraining order on the signing of a preliminary peace accord and some MILF members attacked villages in central Mindanao and killed dozens of civilians in response. The ensuing fighting between government and insurgent forces caused both combat and civilian deaths and the displacement of hundreds of thousands of people. In 2009, both sides instituted ceasefires and resumed formal peace talks.

The New People's Army (NPA), the military arm of the Communist Party of the Philippines, is responsible for general civil disturbance through assassinations of public officials, bombings, and other tactics. It frequently demands "revolutionary taxes" from local and, at times, foreign businesses, and business people. To enforce its demands, the NPA sometimes attacks infrastructure such as power facilities, telecommunications towers, and bridges, mostly in Mindanao. In October 2011, the NPA launched significant attacks on mining facilities in Mindanao, causing millions of U.S. dollars' worth of damage. The National Democratic Front, an umbrella organization that includes the Communist Party and its allies, has engaged in intermittent peace talks with the Philippine government. It has not targeted foreigners in recent years, but could threaten U.S. citizens engaged in business or property management activities.

Terrorist groups, including the Abu Sayaaf Group and Jema'ah Islamiyah, periodically attack civilian targets in Mindanao, kidnap civilians for ransom, and engage in armed skirmishes with the security forces.

Corruption Return to top

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. The Philippines is not a party to the Convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. The Philippines signed the UN Anticorruption Convention in December 9, 2003 and ratified it in November 8, 2006.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html)

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.)

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. The Philippines has no free trade agreement with the U.S.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

The Philippines

Corruption is a pervasive and longstanding problem in the Philippines. In his first 18 months in office, President Aquino's good governance program has resulted in the filing of corruption cases against several high-profile public officials. The "2012-2016 Good Governance and Anti-Corruption Cluster Plan," further identifies specific measures to curb corruption through greater transparency and accountability in government transactions. Efforts to reign in corruption have, in general, improved public perception though achieving successful prosecutions remains to be a serious challenge to the Aquino administration.

The Philippines is not a signatory of the Organization for Economic Cooperation and Development Convention on Combating Bribery. It has ratified the UN Convention against Corruption in 2006. The Philippine Revised Penal Code, Anti-Graft and Corrupt Practices Act, and Code of Ethical Conduct for Public Officials aim to combat corruption and related anti-competitive business practices. The Office of the Ombudsman investigates and prosecutes cases of alleged graft and corruption involving public officials, with the "Sandiganbayan," or anti-graft court, prosecuting and adjudicating those cases.

In view of streamlining government bureaucracy, President Aquino abolished the Presidential Anti-Graft Commission in November 2010 and transferred its investigative, adjudicatory, and recommendatory functions directly under his office. This enabled the Office of the President to directly investigate and hear administrative cases involving presidential appointees in the executive branch and government-owned and controlled corporations. Soliciting/accepting and offering/giving a bribe are criminal offenses, punishable by imprisonment (6-15 years), a fine, and/or disqualification from public office or business dealings with the government.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/s?s=global+enabling+trade+report.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

Bilateral Investment Agreements

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As of September 2011, the Philippines had signed bilateral investment agreements with Argentina, Australia, Austria, Bahrain, Bangladesh, Belgium and Luxembourg, Burma, Cambodia, Canada, Chile, China, the Czech Republic, Denmark, Equatorial Guinea, Finland, France, Germany, India, Indonesia, Iran, Italy, Japan, Republic of Korea, Kuwait, Laos, Mongolia, Netherlands, Pakistan, Portugal, Romania, Russian Federation, Spain, Sweden, Switzerland, Syria, Taiwan, Thailand, Turkey, United Kingdom, and Vietnam. The Philippines does not have a bilateral investment agreement with the United States.

Taxes/Bilateral Tax Treaty

The Philippines has a tax treaty with the United States for the purpose of avoiding double taxation, providing procedures for resolving interpretative disputes, and enforcing taxes of both countries. The treaty also encourages bilateral trade and investments by allowing the exchange of capital, goods and services under clearly defined tax rules and, in some cases, preferential tax rates or tax exemptions.

Pursuant to the most favored nation clause of the Philippine-United States tax treaty, U.S. recipients of royalty income qualify for the preferential rate provided in the Philippine-China tax treaty. Accordingly, a ten percent tax rate applies with respect to most royalties. A 15 percent tax applies on the remittance of profits by Philippine branches of U.S. companies to their head office and dividends remitted by Philippine subsidiaries of U.S. companies to their parent companies.

Philippine courts reportedly have denied a number of claims for refund of tax payments in excess of rates prescribed under applicable tax treaties for failure to secure tax treaty relief rulings. An entity must obtain a tax treaty relief ruling from the BIR in order to qualify for preferential tax treaty rates and treatment. However, according to several tax lawyers, the requirements for tax treaty relief applications are burdensome. Even stricter regulations issued in 2010 disqualify late filings from availing of the preferential tax rates. The volume of tax treaty relief applications also has resulted in processing delays, with most applications reportedly pending for over a year. Some publicly-listed companies reportedly have opted to withhold a final 30 percent withholding tax on dividend payments to foreign investors rather than go through the tedious process of securing tax treaty relief rulings for preferential tax rates.

The BIR appears to be altering its position on tax gains through liquidation. Previously, it had consistently applied Philippine-United States Tax Treaty provisions exempting foreign companies from capital gains and corporate income tax on profit from the redemption and sale of shares by Philippine affiliates/subsidiaries being liquidated. However, a 2009 ruling involving a foreign company held that such gains were subject to corporate income tax, but not to capital gains tax; in another case, the BIR ruled that the gains were subject to tax on dividends. The companies and other interested parties have filed position papers with the Department of Finance to contest these rulings. A number of transactions involving partial liquidations through shares redemption reportedly are on hold because of this unresolved issue. Tax lawyers maintain that any gains from liquidation should be exempt under the Philippines-Unites States Tax Treaty.

The BIR has issued rulings involving non-U.S. investors asserting that the stock transfer tax is an ad valorem, transactional tax – different from the capital gains tax – and therefore applies on the sale of publicly-listed shares in the stock exchange. These rulings contradicted previous exemptions from the stock transfer tax by virtue of bilateral tax treaty provisions exempting foreign nationals from tax on capital gains. This interpretation could complicate the processing and resolution of similar tax treaty relief applications by U.S. and other foreign investors.

A foreign company without a branch office that renders services to Philippine clients is considered a permanent establishment, and is liable to pay Philippine taxes if its personnel stay in the country for more than 183 days for the same or a connected project in a twelve-month period. However, BIR rulings on the taxation of permanent establishments have been inconsistent on whether to treat them as resident or non-resident foreign corporations.

The BIR has yet to finalize long-pending draft regulations on transfer pricing but declared its policy is to subscribe to the OECD's transfer pricing guidelines. Currently, the Tax Code authorizes the BIR to allocate income or deductions among related organizations or businesses, whether or not organized in the Philippines, if such allocation is necessary to prevent tax evasion.

Domestic and foreign resident companies subject to regular income tax may claim an optional standard deduction of up to 40 percent of gross income, in lieu of itemized deductions. Companies may opt for either the optional standard deduction or itemized deductions in filing their quarterly income tax returns. However, in the final consolidated return for the taxable year, companies must make a final choice between standard or itemized deductions for the purpose of determining final taxable income for the year.

BIR rules and regulations for tax accounting have not been fully harmonized with the Philippine Financial Reporting Standards, which are patterned after standards issued by the International Accounting Standards Board. The disparities between reports for financial accounting and tax accounting purposes are a common issue in tax assessments and an irritant between taxpayers and tax collectors. The BIR requires taxpayers to maintain records reconciling figures presented in financial statements and income tax returns.

OPIC and Other Investment Insurance Programs

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The Philippine government currently does not provide guarantees against losses due to inconvertibility of currency or damage caused by war. The Overseas Private Investment Corporation can provide U.S. investors with political risk insurance against risks of expropriation, inconvertibility and transfer, and political violence, based on its agreement with the Philippines. The Philippines is a member of the Multilateral Investment Guaranty Agency.

Labor

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Managers of U.S.-based companies widely report that Philippine labor is relatively low cost and motivated and possesses strong English language skills. As of October 2011, the Philippine labor force was estimated at 38.5 million, with an unemployment rate at 6.4 percent. This figure includes employment in the informal sector and does not capture the substantial underemployment in the country.

Multinational managers report that total compensation packages tend to be comparable with those in neighboring countries. In the call center industry, the average labor cost is between $1.60 and $1.90 per hour. Regional Wage and Productivity Boards meet periodically in each of the country's 16 administrative regions to determine minimum wages, with the National Capital Board setting the national trend. During the reporting period, the non-agricultural daily minimum wage in the National Capital Region is 426 pesos (approximately $9.84), although some private sector workers receive less. Cost of living allowances are given across the board. Most other regions set their minimum wage significantly lower than Manila. The lowest minimum wage rates were in the Southern Tagalog Region, where daily agricultural wages were 199 pesos ($4.59). Regional Boards may grant various exceptions to the minimum wage, depending on the type of industry and number of employees at a given firm.

Literacy in both English and Filipino is relatively high, although there have been concerns in the business and education communities that English proficiency was on the decline. The Department of Education, under its National English Proficiency Program, continues its efforts to strengthen English language training, including school-based mentoring programs for public elementary and secondary school teachers aimed at improving their English language skills.

Violation of minimum wage standards is common, especially non-payment of social security contributions, bonuses, and overtime. Philippine law provides for a comprehensive set of occupational safety and health standards, although workers do not have a legally-protected right to remove themselves from dangerous work situations without risking loss of employment. The Department of Labor and Employment (DOLE) has responsibility for safety inspection, but a severe shortage of inspectors makes enforcement extremely difficult.

The Philippine Constitution enshrines the right of workers to form and join trade unions. The mainstream trade union movement recognizes that its members' welfare is tied to the productivity of the economy and competitiveness of firms; frequent plant closures have made many unions even more willing to accept productivity-based employment packages. The trend among firms of using temporary contract labor continues to grow. During the reporting period, DOLE reported two strikes involving 3,828 workers. The DOLE Secretary has the authority to end strikes and mandate a settlement between the parties in cases involving the national interest, which can include cases where companies face strong economic or competitive pressures in their industries. In 2011, there were 135 registered labor federations and 16,417 private sector unions. The 1.75 million union members represented approximately 4.7 percent of the total workforce of 37.1 million. Mainstream union federations typically enjoy good working relationships with employers.

Special Economic Zones (ecozones) often offer on-site labor centers to assist investors with recruitment. These centers coordinate with DOLE and Social Security Agency and can offer services such as mediating labor disputes. Although labor laws apply equally to ecozones, unions have noted some difficulty organizing inside them.

There have been some reports of forced labor in connection with human trafficking in the commercial sex, domestic service, agriculture, and fishing industries.

The Philippines is a signatory to all International Labor Organization (ILO) conventions on worker rights, but has faced challenges enforcing them. Unions allege that companies or local officials use illegal tactics to prevent them from organizing workers. The quasi-judicial National Labor Relations Commission reviews allegations of intimidation and discrimination in connection with union activities. In September 2009 the government cooperated with a high-level ILO mission to investigate labor rights violations in the country. The ILO mission noted issues relating to violence, intimidation, threat, and harassment of trade unionists and the absence of convictions in relation to those crimes. It also observed obstacles to the effective exercise in practice of trade union rights. In response to ILO mission recommendations, the government constituted the Tripartite Industrial Peace Council (TIPC) to monitor the application of international labor standards and has proposed several legislative measures to address weaknesses in the Labor Code.

Foreign-Trade Zones/Free Ports

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Enterprises enjoy preferential tax treatment when located in export processing zones, free trade zones, and certain industrial estates, collectively known as economic zones, or "ecozones." Enterprises located in ecozones are considered to be outside the customs territory and are allowed to import capital equipment and raw material free from customs duties, taxes, and other import restrictions. Goods imported into free trade zones may be stored, repacked, mixed, or otherwise manipulated without being subject to import duties and are exempt from the GPH's Selective Pre-shipment Advance Classification Scheme. While some ecozones have been designated as both export processing zones and free trade zones, individual businesses within them are only permitted to receive incentives under a single category.

Among the most compelling incentives for firms in export processing and free trade zones are: income tax holiday for a maximum of eight years; exemption from real estate taxes for certain machinery for the first three years of operation of such machinery; a five percent flat tax rate on gross income in lieu of all national and local income taxes, after expiration of the income tax holiday; tax- and duty-free importation of capital equipment, raw materials, spare parts, supplies, breeding stocks, and genetic materials; simplified import and export procedures; remittance of earnings without prior approval from the Central Bank; domestic sales allowance equivalent to 30 percent of total export sales; permanent resident status for foreign investors and immediate family members; exemption from local business taxes; and, simplified import and export procedures.

Philippine Economic Zone Authority

The Philippine Economic Zone Authority (PEZA) manages three government-owned export-processing zones (Mactan, Baguio, and Cavite) and administers incentives to firms in about 248 privately-owned and operated zones, technology parks and buildings. Any person, partnership, corporation, or business organization, regardless of nationality, control and/or ownership, may register as an export processing zone enterprise with PEZA. PEZA administrators have earned a reputation for maintaining a clear and predictable investment environment within the zones of their authority. PEZA reported an increase of 41 percent in investments in 2011, compared to the previous year (from 204.395 billion Php in 2010 to P288.34 billion Php in 2011

Information technology parks located in the National Capital Region may serve only as locations for service-type activities, with no manufacturing operations. PEZA defines information technology as a collective term for various technologies involved in processing and transmitting information, which include computing, multimedia, telecommunications, and microelectronics.

Bases Conversion Development Authority

The ecozones located inside former U.S. military bases are independent of PEZA and subject to the Bases Conversion Development Authority. The principal converted bases are the Subic Bay Freeport Zone (Subic Bay, Zambales) and the Clark Special Economic Zone (Angeles City, Pampanga). Other converted properties include John Hay Special Economic Zone; Poro Point Special Economic and Freeport Zone; and, Morong Special Economic Zone (Bataan).

These ecozones offer incentives comparable to those offered by PEZA. Additionally, both Clark and Subic have their own international airports, power plants, telecommunications networks, housing complexes, and tourist facilities.

Other Zones

The Phividec Industrial Estate (Misamis Oriental, Mindanao) is governed by the Phividec Industrial Authority, a government-owned and controlled corporation. Incentives available to investors are comparable to those offered by PEZA and also include special low rates for land lease.

Two lesser-known ecozones are the Zamboanga City Economic Zone and Freeport (Zamboanga City, Mindanao) and the Cagayan Special Economic Zone and Freeport (Santa Ana, Cagayan Province). The incentives available to investors in these zones are very similar to PEZA incentives but administered independently. In addition to offering export incentives, the Cagayan Economic Zone Authority is also authorized by law to grant gaming licenses.

Foreign Direct Investment Statistics

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The Philippine SEC, BOI, National Economic and Development Authority (NEDA), and the Central Bank each generate direct investment statistics. SEC, BOI and NEDA record investment approvals. The Central Bank records actual investments based on the balance of payments methodology, readily available in U.S. dollar terms. Central Bank data are widely used as a reasonably reliable indicator of foreign investment stock and foreign investment flows.

The figures in Table 1 below refer to foreign direct investment (FDI) stock reported by the Central Bank, based on balance of payments methodology. Disaggregation of net FDI flows by country and by industry is presented in Tables 2 and 3, respectively. Table 4 provides a list of top foreign investors in the Philippines, using the latest available published information from the SEC. Some figures indicated in earlier Investment Climate Statement were revised to reflect updated Central Bank data.

Table 1: Foreign Direct Investment Stock (US Millions)				
	2007	**2008**	**2009**	2010
FDI Stock	20,463	21,746	22,931	26,319
FDI Stock as % of GDP	13.7	12.5	13.6	13.2

Source: Philippine Central Bank (Bangko Sentral ng Pilipinas)

Table 2: Net Foreign Direct Investment Flows By Investor Country (US Millions)*				
	2007	**2008**	**2009**	**2010**
Japan	824.37	59.39	626.09	243.38
Hong Kong	13.29	144.72	408.2	215.55
United States	655.91	220.07	714.90	205.51
Singapore	-2.39	130.57	16.42	41.74
Republic of Korea	14.46	31.20	14.48	7.24
Germany	16.03	18.30	2.87	7.03
Switzerland	1.95	1.17	2.00	6.69
Taiwan/ROC	0.09	6.51	1.34	0.40
Malaysia	5.96	0.99	2.22	0.28
Denmark	-0.01	0.36	0.17	0.12
China	-0.12	-0.16	-3.30	-0.05
United Kingdom	74.77	298.17	0.45	-25.56
Netherlands	-3.38	170.74	-21.75	-110.69
*Ranked by 2010 flows				

Source: Bangko Sentral ng Pilipinas (Central Bank)

Table 3: Net Foreign Direct Investment Flows by Industry/Sector (US Millions)				
	2007	**2008**	**2009**	**2010**
Manufacturing	548.64	311.87	887.79	-2.04
Electricity, Gas, and Water	699.18	224.73	389.58	-14.82
Financial Intermediation	-22.61	215.70	237.45	46.61
Real Estate	137.66	158.27	89.13	181.52
Construction	50.36	171.85	79.15	-1.57
Services	42.33	-11.51	18.03	112.34
Hotels/Resto	2.60	5.65	14.86	105.67
Transport, Storage, and Communications	12.78	-27.02	7.26	106.31
Mining and Quarrying	154.56	154.88	6.19	277.50
Trade/Commerce	4.59	22.23	4.21	21.47
Agriculture	3.71	0.67	0.17	1.72

Source: Bangko Sentral ng Pilipinas (Central Bank)

Table 4: 2010 Top Foreign Investors in the Philippines		
Name of Company	**Country of Origin**	**Equity (est.) (US Millions)**
The AES Corporation	United States	930.0
SunPower Philippines Manufacturing Ltd.	United States	837.23
Texas Instruments (Philippines), Inc.	United States	800.51
Amkor Technology Philippines, Inc.	United States	558.95
Coral Bay Nickel Corp.	Japan	514.3
Rohm Electronics Philippines, Inc.	Japan	453.38
Kepco Ilijan Corp.	South Korea	437.22
Republic Cement Corp.	France	422.3
Dole Philippines, Inc.	United States	359.46
TeaM Energy Corp.	Japan	347.49
Chevron Malampaya LLC	United States	332.41

Source of Data: Philippine Securities and Exchange Commission; Business World's *Top 1,000 Corporations in the Philippines, Volume 25* (Business World Publishing Corporation, 2011); Company reports

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http://amchamphilippines.com
http://www.ipophil.gov.ph/
http://travel.state.gov/travel/travel_1744.html
http://travelregistration.state.gov/

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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For export transactions, the choice of method of payment depends on two factors: the existing relationship between the exporter (seller) and the importer (buyer) and the mutual agreement on the terms and conditions of the sale.

Cash In Advance (C.I.A.) is practiced only to a limited extent due to existing Philippine BSP (central bank) regulations on acquiring foreign currency. Typically, buyers with existing foreign currency accounts with banks operating in the Philippines may consider doing a C.I.A. wherein cash payment is remitted even before the goods are shipped. On the part of the seller, C.I.A. is ideal for goods that are custom-made, such as specialized equipment.

For first-time transactions between the exporter and the importer, or in situations in which the two have not fully established their business relationship, opening a Letter of Credit (L/C) is a common and secure method of payment. Under this mechanism, the buyer establishes a credit with his/her local bank of choice and describes in full detail the terms of the sale (i.e., description of items, price, documentary requirements, etc.). The L/C is opened on account of the buyer in favor of the seller. Essentially, the L/C serves as a demand draft, a promise to pay on the part of the importer with the support of the bank responsible for issuing the payment to the exporter. Once the exporter is in full compliance with all the requirements, payment is effected within a specified time frame, typically 30 or 60 days or whatever has been agreed upon. Any discrepancies regarding the L/C may result in delays or even non-payment. Bank charges apply when securing the L/C. A confirmed irrevocable, documentary L/C “confirmed by a U.S. bank” is recommended.

In cases where the buyer and seller have already established a relatively favorable business relationship, or where mutual trust already exists, other modes of payment may be considered including:

-- **Documents Against Acceptance (D/A)**: The exporter extends credit to the importer for a certain period of time. Terms vary, usually 30 to 60 days after the bill of lading date or the invoice date, depending on what was agreed upon. The seller retains the title documents and forwards them to a collecting bank with instructions to release said documents to the buyer only if the buyer issues a time draft or presents an acceptable bill of exchange.

-- **Documents Against Payment (D/P):** The documents transferring the title to the goods are not released to the buyer by the collecting bank unless the bank receives payment from the buyer.

-- **Open account (O/A):** When there is a high level of trust and the buyer is of reputable standing with the seller, documents transferring title to the goods are sent directly to the buyer (instead of the collecting bank, as in the case of D/A) without guarantee of payment. The buyer remits payment upon maturity; terms vary from 30 days to 180 days, depending on the agreement. Subsidiaries of multinational companies operating in the Philippines (especially those in the oil and pharmaceutical sectors) are prime users of O/A.

-- **Direct Remittance:** As with O/A significant mutual trust is required. Instead of a term transaction, the seller requires the buyer to pay immediately upon receipt of the document transferring the title to the goods.

Credit Rating Agency

Philippine Rating Services Corporation or PhilRatings, the pioneer credit rating agency in the Philippines (since 1985) provide credit ratings on Philippine corporate and debt issues (i.e., commercial papers, bonds, or asset-backed securities). The company is accredited as a domestic credit rating agency (CRA) by the BSP and the Philippine Securities and Exchange Commission (SEC). Press releases on new and monitoring ratings are regularly posted on the PhilRatings website (http://www.philratings.com). Annual subscriptions to PhilRatings' regular publications are also available.

Collection Agencies

In cases of non-payment or delinquent accounts, the use of collection agencies may be considered. There are several collection agencies operating in the Philippines, typically on a "no collect, no pay" arrangement for collection cases that have not yet been elevated to the courts. A typical collection time frame ranges from 30 to 90 days (longer if it is outside the Metropolitan Manila area), wherein the collection agent issues a demand letter signed by a lawyer. Some agents offer collection services only, while others can help facilitate filing a case in court in instances where the respondent cannot comply with the demand letter. Service fees vary depending on the nature and value of the transaction, but agents typically charge a percentage of the amount collected (current rates vary from 20% to 40%). If the case is filed in court, legal and other fees will apply. It is best to seek local legal representation on non-payment cases, especially those involving significant amounts.

How Does the Banking System Operate Return to top

As of September 2011, the banking sector was comprised of 38 commercial banks, 72 thrift banks, and 629 rural and cooperative banks, with combined assets of approximately US$ 164 billion (PhP7, 050 billion). Although fewer in number, commercial banks dominate the banking sector as they account for almost 90% of total banking system resources. Twenty (20) commercial banks (referred to as "universal banks") have an "expanded" commercial banking license, which allows them to perform the functions of an investment house (such as securities underwriting) in addition to regular commercial banking activities. Twenty (20) banks (18 commercial banks and two thrift banks) are licensed to engage in derivatives activities. Nineteen (19) banks are foreign-controlled (14 foreign branch banks and five majority foreign-owned, domestically-incorporated subsidiaries). Additionally, there are four offshore banking units (OBUs) in the country (one of which is U.S.-owned), as well as 13 foreign bank representative offices (two of which are U.S. banks). More detailed regulations governing the operations of the banking system are available in various circulars and the "Manual of Regulations for Banks" compiled by the Bangko Sentral ng Pilipinas (Central Bank). (See: http://www.bsp.gov.ph/regulations/reg_MORB.asp)

Most corporate clients raise capital by borrowing directly from banks or trust funds. Most commercial bank loans are short- to medium-term and subject to renewal. Long-term loans with relatively attractive rates are readily accessible for more established borrowers with proven track records. Nearly 200 thrift, rural, and cooperative banks are involved in micro-lending, with an outstanding loan estimate of US$200 million (PhP7.1 billion pesos) as of September 2011. The Credit Information System Act, signed into law in October 2008, provides for the establishment of the first Philippine centralized credit information system. The Act is intended to narrow the risk premiums in loan pricing and to provide more borrowers improved access to affordable, longer-term credit by providing lending institutions access to pooled credit information and histories on which to base their lending decisions and, as a result, creating an environment that is more conducive to business. The Securities and Exchange Commission, the lead agency, issued implementing rules and regulations in January 2010 and the government will have 60% equity in the Central Credit Information Corporation being created pursuant to the Act.

Since 1997, the Central Bank has implemented policies to beef up loan loss provisions, tighten disclosure and reporting requirements, and increase minimum capitalization levels. The Central Bank continues to promote mergers/consolidation through regulatory incentives and a moratorium on the issuance of new bank licenses. It has also demonstrated greater resolve in weeding out weak financial institutions, especially in the less-capitalized thrift and rural banking sectors.

The largest sectors comprising outstanding commercial bank loans (excluding inter-bank credits) as of September 2011 were financial intermediaries (18.6%), real estate and business services (16.1%), and manufacturing (13.2%). Outstanding loans to residents from banks' foreign currency deposit units (excluding interbank credits) stood at US$6.6 billion, mainly in the manufacturing sector (32.1 %) and the electricity, gas, and water supply sector (12.5%).

Regular inspections by the Central Bank are limited by law to once every 12 months. Special inspections require the affirmative vote of at least five of the seven members of the Philippine Monetary Board, the Central Bank's highest policymaking body. In addition to its own inspections, the Central Bank requires that bank financial statements be audited by Central Bank-accredited local external auditors, a number of which are affiliated with international auditors. External auditors are required to bring to the authorities' attention any adverse audit findings and any material developments affecting the condition of its audited financial institutions. To promote independent and transparent auditing, the external auditor should be changed, or the lead or concurring partner rotated, at least once every five years. To strengthen its ability to check bank fraud and other serious irregularities, the Central Bank has been pushing for amendments to its charter that would strengthen its supervisory and corrective action powers, and provide legal protection for Central Bank officials and bank examiners in the performance of their official duties.

The deposit insurance scheme -- administered by the Philippine Deposit Insurance Corporation (PDIC) -- is patterned after the U.S. Federal Deposit Insurance Corporation (FDIC). The PDIC has a permanent insurance fund (PIF) of PhP$3 billion (about US$69 million), augmented by premiums paid by member banks (currently one-fifth of one percent per annum of the deposit base). A July 2004 law amending the PDIC's charter hiked the deposit insurance coverage per depositor from PhP100, 000 to PhP250, 000 (about US$5,800) and enhanced the PDIC's receivership and liquidation powers. The amended charter also allows the PDIC to conduct periodic assessments on the adequacy of the PIF, deposit insurance coverage, and premium payments; and to recommend adjustments to the Philippine Congress. In April 2009, President Gloria Macapagal-Arroyo signed a law doubling PDIC's insurance coverage per depositor to PhP500, 000 (about US$11,600) to help bolster confidence in the banking system during the global financial crisis.

Foreign-Exchange Controls

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Foreign exchange purchases by Philippine residents and non-residents from the banking system, banks' affiliate foreign exchange corporations, and from non-bank entities operating as foreign exchange dealers, money changers or remittance agents are subject to Central Bank-required information and/or additional documentary requirements on the underlying obligations. There is no mandatory foreign exchange surrender requirement for foreign exchange earners. The Central Bank has moved in recent years to simplify and liberalize the Philippine foreign exchange regulatory regime, most recently in November 2011. . Requirements governing foreign exchange sales by banks and their subsidiary/affiliate foreign exchange corporations are covered by the Central Bank's Manual of Regulations on Foreign Exchange Transactions (issued under Circular 645 in February 2009, as amended by Circular 698 in November 2010 and Circular 742 in November 2011). Foreign exchange sales by foreign exchange dealers/money changers and remittance agents are governed by Circular 471 (January 2005), as amended by BSP Circular 652 (May 2009).

Foreign exchange regulations require the registration of foreign investments with the Central Bank or with custodian banks to allow purchase of foreign exchange from banks and bank-affiliated foreign exchange corporations for repatriating capital and remitting profits, dividends, and earnings. The registration requirement also applies to foreign exchange purchases from banks and bank-affiliated foreign exchange corporations for servicing foreign loan obligations. Foreign borrowings of the private sector generally do not require prior Central Bank approval, unless the loans are guaranteed by the public sector; are covered by bank-issued foreign exchange guarantees; are issued by foreign currency deposit units and funded from, or collateralized by offshore loans or deposits; or carry maturities of more than one year and are obtained by non-bank financial institutions for the purpose of relending.

Foreign exchange purchases for non-trade transactions require completion of a Central Bank-prescribed application form. Purchases from banks and bank-affiliated foreign exchange corporations for non-trade current account purposes (such as travel, medical, and educational expenses, and royalties, copyright, patent and licensing fees) above US$60,000 are subject to additional documentation to ascertain the legitimacy of the underlying obligations. Purchases from foreign exchange dealers/money changers and remittance agents for non-trade current account purposes are subject to a lower threshold (US$10,000), above which supporting documents are also required.

Payments for trade-related transactions are subject to documentary requirements such as shipping documents. The Central Bank does not require registration of imports under Documents Against Acceptance (D/A) and Open Account (O/A) arrangements but requires banks and their foreign exchange subsidiaries/affiliates to report such transactions to the Central Bank prior to payment.

For further information and details, below are pertinent links to the Central Bank website:

http://www.bsp.gov.ph/downloads/Regulations/MORFXT/MORFXT.pdf
http://www.bsp.gov.ph/downloads/regulations/attachments/2010/c698.pdf
http://www.bsp.gov.ph/downloads/regulations/attachments/2011/c742.pdf
http://www.bsp.gov.ph/downloads/Regulations/attachments/2005/c471.pdf
http://www.bsp.gov.ph/downloads/regulations/attachments/2009/c652.pdf
http://www.bsp.gov.ph/downloads/primers/faqfxreg.pdf

Further inquiries may also be directed to:

Ms. Patria B. Angeles
Director – International Operations Department
Rm. 301, 5-Storey Building
Bangko Sentral ng Pilipinas
A. Mabini St., Malate, Manila
E-mail: pbangeles@bsp.gov.ph

U.S. Banks and Local Correspondent Banks

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The commercial banking system includes three U.S. foreign-branch banks: Citibank; Bank of America; and JP Morgan Chase. One locally-incorporated thrift bank subsidiary (Citibank Savings Inc.) is owned and operated by a U.S. bank. JP Morgan International Finance Limited operates an offshore banking unit (OBU) in the Philippines. Furthermore, two U.S. banks have representative offices in the country: Wells Fargo Bank and Bank of New York Mellon.

Reflecting a long history of economic and political ties, all commercial banks in the Philippines have correspondent U.S. banking relationships too numerous to list. The best way for a firm to determine whether its U.S. bank has a correspondent bank in the Philippines is to check with the U.S. bank.

Commercial and Thrift Banks	Address and Contact #	Contact Person
1. Bank of America, N.A.	27/F Philamlife Tower, 8767 Paseo de Roxas, Makati City 1226 Tel: (632) 815-5600; 815-5000; 815-5800 Fax: (632) 815-5582; 815-5895 E-mail: henry.pelaez@baml.com	Henry T. Pelaez Senior Vice President & Country Manager
2. Citibank, N.A. (Phils.)	9/F Citibank Tower, 8741 Paseo de Roxas St., Makati City 1226 Tel: (632) 894-7700 Fax: (632) 894-7703 E-mail: sanjiv.vohra@citi.com	Sanjiv Vohra Country Officer
3. JP Morgan Chase Bank, N.A.-Manila Branch	31/F Philamlife Tower, 8767 Paseo de Roxas, Makati City 1226 Tel: (632) 878-1101 / 885-7700 Fax: (632) 885-7924 E-mail: roberto.l.panlilio@jpmorgan.com	Roberto L. Panlilio Managing Director, Senior Country Officer
4. Citibank Savings, Inc.	19/F Citibank Square, 1 Eastwood Ave., Eastwood City, Brgy. Bagumbayan, Quezon City 1110 Tel: (632) 423-6762 Fax: (632) 423-6732 E-mail: tonet.itchon@citigroup.com	Antonio S, Itchon President
OBUs	**Address and Contact #**	**Contact Person**
1. JP Morgan International Finance, Limited	31/F, Philam Life Tower, 8767 Paseo de Roxas, Makati City 1226 Tel: (632) 575-1199 / 729-8000 Fax: (632) 885-7924 E-mail: roberto.l.panlilio@jpmorgan.com	Roberto L. Panlilio Manager
Representative Offices	**Address and Contact Details**	**Contact Person**
1. Wells Fargo Bank, N.A.	15/F, Tower I Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City 1200 Tel: (632) 884-8633; 884-8426 ext. 220 Fax: (632) 884-8633; 884-8644 E-mail: imelda.capistrano@wellsfargo.com	Imelda B. Capistrano Senior Vice President & Country Manager
2. The Bank of New York Mellon	10/F, Philamlife Tower, 8767 Paseo de Roxas, Makati City 1226 Tel: (632) 885-0383 to 87 Fax: (632) 885-0382 E-mail: TAFloro@BankofNY.com	Therese A. Floro Vice President & Chief Rep.
2. The Bank of New York Mellon	10/F, Philamlife Tower, 8767 Paseo de Roxas, Makati City Tel: (632) 885-0383 to 87 Fax: (632) 885-0382 E-mail: TAFloro@BankofNY.com	Therese A. Floro Vice President & Chief Rep.

Project Financing

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Official Development Assistance (ODA) from foreign funding agencies has been a key source of financing for major projects in the Philippines. Multilateral organizations such as the World Bank including the International Finance Corporation (IFC)] and the Asian Development Bank (ADB); and bilateral institutions (the Japan International Cooperation Agency (JICA), the Government of Japan - Japan Bank for International Cooperation (GOJ - JBIC), China, the U.S. government's Millennium Challenge Corporation (MCC) and the U.S. Agency for International Development (USAID) are among the leading sources of ODA.

According to the National Economic and Development Authority (NEDA), a total net commitment of the Government of the Philippines (GPH) Portfolio for the last 10 years is about US$ 10.00 billion. For Calendar year 2010, total net commitment for the 93 active ODA loans amounted to US$ 10.06 billion, consisting of 82 project loans (83 percent or US$ 8.34 billion) and 11 program loans (17 percent or US$ 1.72 billion).

In terms of new commitments only, GOJ-JICA provided the biggest amount of new loans in the last 10 years, while WB is the biggest source of new loans in CY 2010. The Infrastructure sector received the highest amount of new commitments in the last 10 years at US$5.3billion, while the Social Reform and Community Development (SRCD) sector received the highest amount of new loans in CY 2010 valued at US$1.8billion.

In terms of physical performance, fewer projects are on schedule compared to CY 2009, but the number of delayed projects also decreased in CY 2010. A total of 11 projects (13 percent) were ahead of schedule, 36 projects (41 percent) were behind schedule, and 22 projects (25 percent) were completed.

The Government of Japan (GOJ) - JICA remains to be the biggest source of ODA loans active in CY 2010, as it accounted for 35 percent of the ODA loans or an aggregate amount of US$ 3.51 billion. In the past 10 years, the GOJ-JICA accounted for an average of 53 percent of ODA loans. The shares of China and Other Sources also increased in CY 2010 as compared to their shares in the last 10 years, while ADB's net commitment decreased for the same periods being compared.

ODA Loans Net Commitment by Development Partners
(CY 2010 vs. Average Last 10 Years)

Development Partner	CY 2010		Average Last 10 Years	
	US$ billion	Share (%)	US$ billion	Share (%)
ADB	0.979	10	1.861	17
China	1.141	11	0.483	4
GOJ-JICA	3.508	35	5.717	53
WB	2.019	20	1.618	15
Other Sources*	2.416	24	1.136	11
TOTAL	10.063	100	10.815	100

*Other funding sources include: Austria, Belgium, France, Germany, International Fund for Agricultural Development, Netherlands, OPEC Fund for International Development, Saudi Arabia, Swedish International Development Cooperation Agency y, Spain and UK.

The Infrastructure Sector accounted for 53 percent of the active ODA loans or US$ 5.30 billion. In the past 10 years, the sector had an average net commitment of US$ 6.88 billion or 63 percent of the portfolio.   The share of the Social Reform and Community Development (SRCD) registered a notable increase in CY 2010 compared to its average share in the last 10 years. Fifty-nine percent (or US$ 1.14 billion) of the total net loan amount for SRCD is attributed to five new loans.

Other bilateral donor organizations include (a) Australian Agency for International Development (AusAID); European Union; Kreditanstalt für Wiederaufbau (KfW); Korea International Cooperation Agency (KOICA); Spain/AECID, United States Agency for International Development (USAID), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and (i) World Bank.

Key sectors and priority projects include infrastructure, increased electrification, increased use of renewable energy, increased energy efficiency, agriculture, agrarian reform and natural resources, social reform and community development , industry, trade and tourism , and governance and institutions development .

The U.S. allocated US$101.992 million in development assistance to the Philippines in FY 2011. Within this assistance, all USAID projects were awarded as grants, not loans, as they take the form of contracts or cooperative agreements with American, Philippine, or other entities.

A five-year US$434 compact grant through the U.S. government's Millennium Challenge Corporation (MCC) was signed on September 23, 2010. The MCC grant is focused on reducing transportation costs and improving access to markets and social services by rehabilitating a 220 kilometer road segment on Samar Island; improving community-level infrastructure and social services for millions of poor Filipinos through locally driven development projects; and raising tax revenues and reducing tax evasion and corruption by reforming and modernizing the revenue collection system at the Bureau of Internal Revenue of the government of the Philippines. MCC projects follow strict international competitive bidding practices.

U.S. bidders are welcome to join foreign-funded projects where International Competitive Bidding (ICBs) procedures are observed. Multilateral Development Banks (MDBs), such as the World Bank and the Asian Development Bank (ADB), observe this practice, as does USAID, and, to some extent, other bilateral institutions such as JBIC. The websites of these organizations are good sources of project and business opportunities, and are updated regularly.

U.S. financing institutions such as the Export-Import (Ex-Im) Bank and the Overseas Private Investment Corporation (OPIC) continue to explore opportunities in the Philippines. The Ex-Im Bank, the official export credit agency of the United States, provides export credit insurance, loan guarantees, and project and structured finance for U.S. exporters and foreign buyers of U.S. goods and services. On the other hand, OPIC can provide U.S. investors with political risk insurance against risk of expropriation, inconvertibility and transfer, and political violence, based on its agreement with the Philippines. The Philippines is a member of the Multilateral Investment Guaranty Agency. OPIC financing comes in the form of direct loans and loan guarantees for medium and long-term private investment.

Asia's premier development finance institution, the Asian Development Bank, is headquartered in Manila, Philippines. The Philippines is a founding member of the regional multilateral bank, the eleventh largest shareholder, and one of the bank's largest borrowers. The Philippines received $413.7 million in ADB assistance in 2011 for projects in health sector reform and healthcare credit, social protection, energy efficiency, justice sector reform, financial market regulation, coastal resources management, rural productivity and agrarian reform.

ADB released its Philippine Country Partnership Strategy for 2011 to 2016 in 2011, which is the basis for the bank's lending priorities in the country. The program amounts to $3.8 billion for the 6-year period and targets governance reforms and measures to drive broad-based growth and poverty reduction efforts. It is fully aligned with government priorities, focusing on strengthening the investment environment to attract more private funding for infrastructure development and job creation.

The bank's overall lending reached nearly $20 billion in 2011, the highest on record. ADB's lending and technical assistance programs result in significant business opportunities open to U.S. consultants, goods and equipment suppliers, banks and project developers. About eighty per cent (80%) of ADB loans are used for the procurement of goods, equipment and services. U.S. firms are competitive and enjoy a good reputation at the bank.

Aside from its traditional public sector lending, ADB also lends directly to private sector enterprises. ADB's role in private sector lending is to serve as a catalyst for additional investment and financing, and to provide risk mitigation to both co-financing institutions and private developers. In 2011, lending to the private sector reached nearly $4 billion (including co-financing). The bank's private sector portfolio in the Philippines is now well over $1 billion, one of the most active among the bank's member countries. Private sector projects in the Philippines include infrastructure projects for power generation, water and sewage concessions, airport terminals, and expressway rehabilitation and expansion.

Only bank member countries can participate in ADB procurement activities. Some 42 of ADB's 67 member countries are developing member countries (DMCs) which borrow actively from the bank. The DMCs cover the entire breadth of the Asia-Pacific region, extending from the Pacific Island countries, through the South, East and Southeast Asia regions, all the way to six (6) countries in Central Asia. The largest borrowers in 2011 were India, Bangladesh, Viet Nam, China and Pakistan.

Non-borrowing members include donor countries such as the United States and Japan, the largest co-equal shareholders, with roughly 15% shareholdings each, and others from outside the region, as well as more developed Asian countries.

A dedicated unit within the ADB headquarters serves as the Philippine Country Office. ADB also maintains twenty seven (27) resident missions and representative offices in its member countries. The bank's North American Representative Office, located in Washington, DC, serves the bank's interests in the United States and in Canada.

Under U.S. Congressional mandate, the Department of Commerce maintains a Commercial Service Liaison Office to the ADB in Manila to help U.S. companies access, enter and expand in the Asian markets that benefit from ADB's lending and grant activities. The Liaison office for ADB is integrated into the U.S. Commercial Service – a network of over two hundred offices worldwide - whose mission is to promote and facilitate U.S. exports. The Liaison Office began operations in 1992 and cooperates with the U.S. Executive Director's Office at ADB to assist U.S. companies. As part of the U.S. Commercial Service network, the Liaison Office also works closely with the U.S. Commercial Service in the Philippines, and Commercial Service counterparts in the Asia region. An American Foreign Service Officer heads the office (currently Joel Fischl), assisted by a Filipino staff of four.

The U.S. Commercial Service Liaison Office to the ADB invites American firms to partner with it to explore ADB commercial opportunities in the entire bank's borrowing member countries. The office offers a range of business services including an e-mail project alert service, business counseling and facilitation, advocacy and outreach.

Address: American Business Center—U.S. Embassy
25th Floor, Ayala Life-FGU Building
6811 Ayala Avenue, Makati City 1226
Philippines

U.S. mailing address:

Mr. Joel Fischl
Director & Senior Commercial Officer
US Embassy Manila, CS ADB
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DPO AP 96515-1566

E-mail: office.manilaADB@trade.gov
Telephones: (632) 887-1345/1346
Fax: (632) 887-1164
Website: http://export.gov/adb/

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Asian Development Bank: www.adb.org
Export-Import Bank of the United States: http://www.exim.gov
Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
OPIC: http://www.opic.gov
Trade and Development Agency: http://www.tda.gov/
SBA's Office of International Trade: http://www.sba.gov/oit/
USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm
U.S. Agency for International Development: http://www.usaid.gov

http://www.philratings.com
http://www.bsp.gov.ph/downloads/Publications/FAQs/forloans.pdf
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http://www.bsp.gov.ph/publications/media_archives.asp?id=1991&yr=2009
http://www.bsp.gov.ph/regulations/reg_others_rfi.asp

http://www.neda.gov.ph/progs_prj/19thODA/19th_odamain.htm
http://www.bsp.gov.ph/downloads/Publications/FAQs/fxregulations.pdf
http://www.bsp.gov.ph/regulations/regulations.asp?type=1&id=2334
http://www.bsp.gov.ph/regulations/regulations.asp?type=1&id=2378
http://www.buyusa.gov/adb

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Chapter 8: Business Travel

Business Customs

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The Philippine business environment is highly personalized. Business matters are always best dealt with on a face-to-face basis in a warm, polite, and pleasant atmosphere. Filipinos often prefer an atmosphere of calm and restraint, avoid direct confrontation, and typically offer a polite reply coupled with a smile rather than outright negative feedback to the other party's ideas. A "yes" may mean several things, not always affirmative.

As a show of respect and acknowledgement of certain social hierarchies, Filipinos usually address people by their titles (e.g., Architect Cruz, Attorney Jose, Dr. Romero), although most contacts will quickly insist on using a more informal approach (e.g., addressing them by their nicknames) after the initial introductions. When dealing with high-ranking government and military officials, it is best to address them by their formal titles (e.g., Secretary Flores, General Alfonso, Director Santos, Admiral Lopez, etc.)

Meetings do not necessarily start promptly, so allow for delays due to traffic, inclement weather, prior engagements or last minute changes in the schedule or itinerary, especially when meeting with VIPs or high-ranking officials. If a Filipino client is running late for an appointment, their assistant or the individual would typically personally call or advise if he or she is on their way.

Handing out business cards (preferably bearing your position or title) is standard practice, although the manner in which the cards are exchanged tends to be rather informal as compared with other Asian cultures. If a Filipino contact gives you a personal number (e.g., home or mobile phone) aside from what is indicated on the business card, it is usually an invitation to call, and is a good sign for establishing cordial relations.

It is not uncommon for business associates to make personal inquiries about family, marital status, ethnicity, hobbies and after-hours activities or other similar questions typically considered by Americans as rather personal. Be prepared to discuss generalities of family hobbies, sports and American customs, as Filipinos see this as a way to become better acquainted.

The U.S. businessperson should avoid, as much as possible, personally grappling with Philippine bureaucracy. The Bureau of Customs, for instance, requires dozens of signatures in order to clear air cargo, which can be expedited with the use of local customs brokers. The Filipino approach is to delegate to a staff or business associate capable of navigating the bureaucracy.

Observing office etiquette is also important. When reprimanding local employees, take them aside and do it privately. Be as gentle as possible and always make it a point to end the meeting with some show of personal concern for the family to make the employee feel still part of the team.

English is the official business language, including for most correspondence, contracts, and other documents. Among Filipinos, however, it is common to hear "Taglish" (a combination of Tagalog, a regional dialect from which the Filipino language is largely based, and English, or shifting back and forth between the two languages) during informal conversations. Body language and hand gestures (e.g., a raised eyebrow, a faint smile, a scratch in the head) are also integral to how Filipinos express themselves. Texting, or sending short, oftentimes abbreviated messages through mobile phones, has now become a preferred method for business communication. Do not be surprised if, in the middle of a meeting, people suddenly take out their mobile phones to read or send messages or to answer a call.

Business lunches and dinners are usually arranged personally over the phone and thereafter confirmed by a secretary or assistant. The person extending the invitation customarily pays. A guest does not order the most expensive items on the menu, unless the host insists otherwise. Lunch or dinner buffets have also become commonplace, thereby allowing guests more choices. It is also customary to have a drink or a cocktail before a formal sit-down dinner. A relatively informal tone is the norm. Business is not usually discussed until after establishing a convivial ambience, usually after soup or appetizer. Attire is according to the location of the meeting.

Filipinos tend to be lax in replying to RSVPs. Telephone follow-ups are best, at least one or two days before the event (any prior confirmation may still need following up later on). In hosting events, private or professional, the staff is usually asked to track down guests for a confirmation reply. In a formal occasion, seating is arranged, where the head table is usually reserved for VIPs. A guest speaker is often the highlight of a dinner or formal gathering. Light entertainment is not unusual. In most instances, important guests accept requests to sing. Americans with vocal talents can score business points in the Philippines.

The holiday season (the Philippines celebrates one of, if not the longest, Christmas season in the world) is also a time to show appreciation to people with whom you have regular dealings, e.g., the security guard, doorman, messenger, the secretary or assistant, as well as regular and valued clients, through small tokens. Gifts could range from baskets of goodies to company giveaways to plain calendars or office items with your company logo.

It is best to attempt to accomplish business objectives in mid-morning or early afternoon.

Many business deals are completed informally during a lunch or dinner appointment, an intimate social gathering, or over a round of golf. Never attempt to do business on a weekend or a holiday, unless the Filipino contact has specifically indicated his or her availability on such days. The Philippines being a predominantly Catholic country observes the Lenten season and all commercial and business establishments are closed on Holy Thursday and Good Friday. Likewise, beginning on or around the week of December 15 through the end of the year, office-related activities tend to wind down to give way to holiday parties. It is recommended to have important meetings set prior to those dates.

Summer-weight clothing normally worn in temperate zones is suitable for the Philippines, where the weather tends to be very humid. It is acceptable for businessmen to conduct calls in short or long-sleeved shirt and ties with or without a coat. Either a two-piece suit or the native "barong tagalog" (a lightweight, short- or long-sleeved shirt, usually linen, worn without a tie) are acceptable, ordinary business attire. Light pantsuits or dresses are appropriate for women. Dinner invitations can either be casual or formal, so it is best to check with the host regarding the proper attire. An umbrella may come in handy, especially during the wet season (between July and September).

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Travel Advisory can be found through:

http://travel.state.gov/travel/travel_1744.html

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General Provisions

1. Americans who are travelling to the Philippines for business and tourism purposes are allowed to enter the Philippines without visas for a stay not exceeding twenty-one (21) days, provided they hold valid tickets for their return journey to port of origin or next port of destination and their passports valid for a period of at least six (6) months beyond the contemplated period of stay. However, Immigration Officers at ports of entry may exercise their discretion to admit holders of passports valid for at least sixty (60) days beyond the intended period of stay.

2. *In case of a temporary visitor's visa holder whose stay in the Philippines will exceed the authorized period of stay, he/she will have to report to the Bureau of Immigration, secure an extension of stay and pay the corresponding immigration fees. Information on fees for extension of stay and other Immigration fees are available at the Bureau of Immigration website (*www.immigration.gov.ph*).*

Special Provisions

3. Special Investor’s Resident Visa (SIRV) may be issued to a foreign national (not listed as restricted national), his spouse and unmarried children under 21 years of age, if any, who shall invest at least $75,000.00 in an existing or new corporation provided this corporation is publicly-listed corporation, is engaged in an Investments Priority Plan (IPP) project as determined by the Board of

Investments (BOI), or is involved in the manufacturing and service sectors. Said persons may reside in the Philippines as long as their investment subsists.

4. The BOI shall issue SIRV identification cards only to applicants with actual investments, valid for a period of one year, renewable yearly. Such ID shall exempt the SIRV holder from securing the Special Return Certificate (SRC), Alien Certificate of Registration (ACR) and Emigration Clearance Certificate (ECC) from the Bureau of Immigration for purposes of travel abroad.

5. Citizens of the United States, Japan and Germany (which have treaties of commence, trade, amity and navigation with the Philippines) may apply for a Treaty Trader or 9(d) visa provided they have substantial trade and investments in the Philippines.

6. Foreign business people have the option to apply for a Pre-Arranged Employment Visa under 9(g) with positions of elective (managerial) or non-elective (technical) for as long as they qualify under the Immigration rules. Non-elective positions may be employed under the said visa with the required Filipino understudies of at least two (2). The pre-arranged employment visa is co-terminus with the Alien Employment Permit (AEP) issued by the Department of Labor and Employment (DOLE).

7. A foreign national who is admitted as non-immigrant may apply for permanent resident status without departing the Philippines as long as he is not in the list of restricted nationals.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/

United States Embassy Manila: http://manila.usembassy.gov/wwwh3024.html

Telecommunications Return to top

The telecommunications infrastructure includes multiple platforms: fixed line, mobile cellular, cable television, over the air television, radio, Very Small Aperture Terminal (VSAT), fiber optic cable and satellite for redundant international connectivity. There are 11 international gateways, and various submarine cables to countries like Hong Kong, Guam, Singapore, Taiwan, Japan, Brunei, and Malaysia, among others.

Cellular mobile telephone systems (CMTS) are the preferred mode of service. Mobile subscribers reached nearly 90 million in 2011. Landline subscribers are expected to reach ten million due to the availability of wireless landline service. CMTS subscribers are divided into two basic segments: postpaid and prepaid subscribers, with an estimated ratio of 15:85 favoring prepaid systems. There are two major CMTS carriers in the local market: Smart Communications [a subsidiary of the telecom giant Philippine Long Distance Telephone Company (PLDT)] and Globe. Digitel, through its corporate brand, Sun Cellular, was gaining ground in the market but remained a distant third. In

October 2011, the telecom industry regulator, National Telecommunications Commission (NTC), approved PLDT's acquisition of Digitel. San Miguel Corporation (SMC), the largest food conglomerate in the Philippines, has entered the Philippine telecom industry. SMC bought several existing telecom companies and is preparing the roll-out of its wireless service by late 2012.

The current Philippine cellular infrastructure is GSM. The country continues to be the world leader in Short Messaging Service (SMS) with over one billion messages sent per day. VoIP was classified as a "value-added service", and the emergence of 4G technology is expected to push higher levels of computing to mobile devices.

Broadband services are available for home and office use. Users should expect to pay prices similar to those in the U.S. U.S. travelers will find mobile phone service affordable in the Philippines. Average cost per minute of call is USD 0.15, while one SMS or text message costs USD 0.02. As a result, most Filipinos prefer to text rather than talk on their mobile phones. Broadband penetration to date is estimated at 0.02%. While this is still a relatively low number, uptake is experiencing steady growth of five to ten percent per annum. This surge is attributed to increased availability of wireless broadband, now the preferred technology for voice communications and access to content and data.

The Philippine's television broadcast industry is composed of five national or major TV networks, three government-owned networks, 306 analog TV stations, and five major cable TV networks. In early 2006, the National Telecommunications Commission (NTC) spearheaded the formation of a Technical Working Group (TWG) to study the migration from analog to digital terrestrial television (DTT) in the market. The process was completed in June 2010 when the NTC announced that the Philippines would adopt Japan's Integrated Services Digital Broadcast (ISDB) technology as the standard for DTT broadcast. The TWG task to drafting of the Implementing Rules and Regulation (IRR) for DTT implementation was formed in 2011. The TWG will be composed of broadcast industry representatives, and other stakeholders, such as the government, suppliers and consumer groups. The NTC expects the Philippines full migration to digital television will be completed within ten years.

Transportation

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Many major international airlines fly between Manila and the United States on a regular basis. Typically, these flights are indirect with layovers or stopovers before they reach their final destination (e.g., U.S. airlines such as Delta Airlines flies from Manila to the U.S. via Narita, Nagoya, or Osaka; United flies from Manila to Mainland U.S. via Guam, and Hawaiian Airlines offers flights from Honolulu.).

Within the Philippines, one can travel to most parts of the country by land, air, or sea with relative ease.

For land travel, the quality of the road network is quite varied. Distances that may be covered quickly in the United States typically take longer in the Philippines, due to insufficient road quality and congestion. An extensive road network links most of the archipelago.

For first time visitors to major urban cities such as Metro Manila, the use of accredited hotel taxis with the assistance of the hotel staff is more dependable than metered taxis hailed on the street. When using a metered cab, ask the driver to turn on the meter as you enter to avoid being overcharged. Hotel taxis charge a flat rate for travel to specified locations. It is best to ask the hotel staff or a local business contact how long it would take to reach one's destination, taking into account such factors as traffic conditions during peak driving hours and alternate routes. When taking a regular cab, it would help to know the typical cab fare to avoid being overcharged. Many taxi fleets now offer services.

Car rentals are also available with or without a driver/chauffeur, and costs will vary depending on the length of use, the type of car, and the itinerary. U.S. franchises such as Avis, Hertz and Budget operate in the Philippines and accept an international driver's license for up to 60-90 days.

Buses, elevated rail transport such as the Light Railway Transit (LRT) and the Metro Rail Transit (MRT), and "jeepneys" transit major and minor routes within Metro Manila and serve the general commuting public. They are not recommended for business travelers in Manila. Shuttle services (locally known as FX taxis) which bring passengers to and from work are also available. In most provinces and major cities outside Manila, buses, jeepneys, and tricycles are the more typical modes of land transport. Overcrowding is not uncommon.

The country has over 80 airports, but only a few meet U.S. or international aviation standards. There are five major international airports, two of which are located in former U.S. military installations (i.e., Subic and Clark). The country's major airport, the Ninoy Aquino International Airport (NAIA), currently operates four terminals in Manila, one of which is being used exclusively by flag carrier Philippine Airlines for its domestic and international routes. NAIA's Terminal III was recently opened for domestic and international flights (inclusive of ANA). The remaining 80 airports are mostly regional terminals serving domestic routes with the exception of Cebu.

In 2007, the U.S. Federal Aviation Administration (FAA) downgraded the Philippines' aviation safety oversight category from Category 1 to Category 2. According to the FAA, "Category 2 indicates that the FAA has assessed the Government of the Philippines' Civil Aviation Authority as not being in compliance with International Civil Aviation Organization (ICAO) safety standards for the oversight of Philippine air carrier operations. While in Category 2, Philippine air carriers will be permitted to continue current operations to the United States, but will be under heightened FAA surveillance. For more information, travelers may visit the FAA's website at: http://www.faa.gov/.

Passengers are required to be at the airport at least one hour before departure for domestic flights and two to three hours for international flights (particularly on U.S. bound flights). Terminal fees are charged for departing passengers on both domestic and international flights (approximately US$20 per passenger). Flight delays are not unusual in the Philippines.

Maritime transport is a major conduit for moving goods and people. Inter-island vessels or ferries service major island routes. Being an archipelago, the Philippines has more than 1,000 ports, about a dozen of which are major international ports that serve as cargo and/or passenger terminals. Travel by boat or ferry tends to take longer and is less convenient than air travel, but there are areas in the Philippines that can only be reached through this mode of transport. Roll-on, roll-off vessels (RO-RO) carrying passengers and cargo are also available to service inter-island travel and commerce. Ferry transport in recent years has experienced serious accidents with significant fatalities.

Language

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Filipino/Tagalog is the official national language, although over 80 dialects are spoken throughout the Philippines. English is widely spoken and is the primary language in business communication.

It is common to hear Filipinos use a mixture of English and Filipino words or phrases, known as "Taglish" (a mixture of English and Tagalog), in their everyday conversations. A steadily dwindling minority still speak Spanish, which had at one time been an official language. In provinces where Filipino is not the lingua franca, primary educational instruction is conducted in vernacular languages.

Section 105 of the Tariff and Customs Code of the Philippines (TCCP) contains the regulations and requirements for products entering the Philippines temporarily, such as but not limited to the following: equipment for use in the salvage of vessels or aircraft; articles brought into the Philippines for repair, processing or reconditioning to be re-exported upon completion of the repair, processing, or reconditioning; articles used exclusively for public entertainment, and for display in public expositions, or for exhibition or competition for prizes, and devices for projecting pictures and parts; and articles brought by foreign film producers directly and exclusively used for making or recording motion picture films on location in the Philippines. The articles listed in Section 105 of the TCCP are exempted from the payment of import duties subject to conditions as defined in the TCCP.

Section 2103 of the TCCP covers certain cases wherein an intent to export is shown in the covering commercial documents of imported articles where the Collector of Customs may authorize the filing of an entry for immediate exportation, under bond.
Filipino/Tagalog is the official national language, although over 80 dialects are spoken throughout the Philippines. English is widely spoken and is the primary language in business communication.

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Health

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Major cities in the Philippines have modern and well-equipped hospitals and medical facilities that meet the general healthcare needs of business travelers. These hospitals are usually staffed by excellent medical personnel, some of them U.S. Board Certified; although nursing and other support services are sometimes inadequate.

Although brand names may be different and unfamiliar, larger pharmacies in the Philippines stock most standard medicines at prices equivalent to those in the U.S. Vitamins, over-the-counter medicines, and first aid supplies are available locally. Medical fees are reasonable and pharmaceuticals are widely accessible.

The general level of sanitation in the Philippines is lower than in the United States. Overpopulation has greatly overtaxed water supply, sewage, garbage disposal, street cleaning, and utilities.

Americans are advised not to drink untreated water. Bottled beverages are inexpensive, plentiful and safe. Ice is always suspect. It is not advisable to buy food from street peddlers.

Occasional gastrointestinal upsets caused by poor sanitary conditions, colds, and other respiratory ailments are unavoidable due to the high level of air pollution, if staying in Manila for an extended period of time.

Overexertion and excessive fatigue should be avoided, as the tropical environment makes for rapid dehydration.

Among the diseases in the Philippines' Department of Health (DOH)'s Health Advisories are Avian (Bird) Flu (although no case has been officially reported in the Philippines); Chicken Pox; Cholera; Dengue; Diarrhea; Malaria; etc. Updates on diseases and health alerts are available from the Philippine Department of Health website: http://www.doh.gov.ph

Local Time, Business Hours, and Holidays Return to top

Philippine Standard Time is 8 hours ahead of Coordinated Universal Time/Greenwich Mean Time (UTC/GMT). The Philippines does not observe daylight savings time.

U.S. Government offices are open from 7:30 a.m. to 4:30 p.m. Most private and GPH offices are open from 8:00 a.m. to 5:00 p.m. or from 9:00 a.m. to 6:00 p.m., Monday - Friday. Some private companies hold office on Saturday from 9:00 a.m. to 12:00 noon. Eight hours per day or 48 hours per week is the maximum period an employee may be required to work at a regular pay rate.

Most shopping centers are open seven days a week with variable opening hours, which may be extended during major holidays.

All offices close during the following public holidays: January 1, New Year's Day; April 9, Bataan & Corregidor Day and Heroism Day; Easter Holidays, which include Maundy Thursday and Good Friday; May 1, Labor Day; June 12, Independence Day; August 27, National Heroes Day; November 1, All Saints' Day; November 30, Bonifacio Day; December 25, Christmas Day; and December 30, Rizal Day.

June 24, Manila Day, is observed only in the City of Manila, while August 19, Quezon Day, is observed only in Quezon City. Eid-ul-Fitr and Chinese New Year are now also being observed. In addition, special public holidays such as Election Day and EDSA

Revolution Day may be declared by the President and are observed nationwide.

The U.S. Embassy in the Philippines observes the following U.S. public holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day, and Christmas Day.

Temporary Entry of Materials and Personal Belongings Return to top

A businessperson hand-carrying a personal laptop computer does not have to post a cash bond after demonstrating that the item is a personal effect and is not new. Laptops, considered tools of the trade, may be cleared without the necessary documentation, such as a Certificate of Identification, upon the businessperson's arrival. Only one laptop per businessman is allowed under existing regulations.

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http://www.immigration.gov.ph
http://travel.state.gov/visa/index.html
http://www.unitedstatesvisas.gov/
http://travel.state.gov/travel/travel_1744.html
http://manila.usembassy.gov/wwwh3024.html
http://www.faa.gov/safety/programs_initiatives/oversight/iasa
http://www.doh.gov.ph

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Chapter 9: Contacts, Market Research and Trade Events

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U.S. Embassy Contacts:

U.S. Embassy Manila
http://manila.usembassy.gov/

U.S. Commercial Service
http://buyusa.gov/philippines

Foreign Agricultural Service (FAS)
http://www.fas.usda.gov

Animal Plant Health Inspection Service (APHIS)
http://www.aphis.usda.gov

Joint U.S. Military Assistance Group to the Republic of the Philippines (JUSMAG)
http://manila.usembassy.gov/us-agencies2/joint-u.s.-military-assistance-group

U.S. Agency for International Development (USAID)
http://philippines.usaid.gov

U.S. Liaison to the Asian Development Bank (CS-ADB)
http://www.buyusa.gov/adb

U.S. Defense Attaché Office (DAO)
http://manila.usembassy.gov

U.S. Embassy Economic Section
http://manila.usembassy.gov/wwwh3009.html

Trade and Industry Associations:

American Chamber of Commerce Philippines (AMCHAM)
http://www.amchamphilippines.com

Chamber of Furniture Industries of the Philippines (CFIP)
http://www.cfip.org.ph

Chamber of Mines of the Philippines
http://www.chamberofmines.com.ph

Chamber of Real Estate & Builders Associations, Inc. (CREBA)
http://www.creba.ph

Chemical Industries Association of the Philippines
http://www.spik-ph.org

Computer Distributors and Dealers Association of the Philippines (COMDDAP)
http://www.comddap.org

Filipino-Indian Chamber of Commerce (Philippines), Inc.
http://www.come.to/ficc

Integrated Telecommunications Suppliers Association of the Philippines (ITESAP)
http://www.itesap.com

Institute of Integrated Electrical Engineers of the Philippines, Inc. (IIEE)
http://www.iiee.org.ph

Philippine Association of Medical Technologists (PAMET)
http://www.pametinc.org

Philippine Association of Water Districts (PAWD)
http://www.pawd.org.ph

Philippine Constructors Association (PCA)
http://www.philconstruct.com

Philippine Exporters Confederation Inc. (PHILEXPORT)
http://www.philexport.ph

Philippine Retailers Association (PRA)
http://www.philretailers.com

Society of Philippine Electrical Contractors (SPECS)
http://www.specs.org.ph

Government Agencies:

Bangko Sentral ng Pilipinas (BSP)
http://www.bsp.gov.ph

Bureau of Export Trade Promotion
http://tradelinephil.dti.gov.ph/betp/dti2.main

Bureau of Immigration
http://www.immigration.gov.ph

Bureau of Internal Revenue (BIR)
http://www.bir.gov.ph

Bureau of Product Standards (BPS)
http://www.bps.dti.gov.ph

Civil Aviation Authority of the Philippines (CAAP)
http://www.caap.gov.ph

Clark Development Corporation (CDC)
http://www.clark.com.ph

Department of Agriculture (DA)
http://www.da.gov.ph

Department of Energy (DOE)
http://www.doe.gov.ph

Department of Environment and Natural Resources (DENR)
http://www.denr.gov.ph

Department of Finance (DOF)
http://www.dof.gov.ph

Department of Health (DOH)
http://www.doh.gov.ph

Department of the Interior and Local Government (DILG)
http://www.dilg.gov.ph

Department of Public Works and Highways (DPWH)
http://www.dpwh.gov.ph

Department of Science & Technology (DOST)
http://www.dost.gov.ph

Department of Trade and Industry (DTI)
http://www.dti.gov.ph

Energy Regulatory Commission (ERC)
http://www.erc.gov.ph

Housing and Urban Development Coordinating Council (HUDCC)
http://www.hudcc.gov.ph

Institute of Integrated Electrical Engineers of the Philippines, Inc. (IIEE)
http://www.iiee.org.ph

Insurance Commission
http://www.insurance.gov.ph

Intellectual Property Office (IPO)
http://www.ipophil.gov.ph

Mines and Geosciences Bureau (DENR-MGB)
http://www.mgb.gov.ph

National Computer Center (NCC)
http://www.ncc.gov.ph

National Economic and Development Authority (NEDA)
http://www.neda.gov.ph

National Grid Corporation of the Philippines (NGCP)
https://www.ngcp.ph

National Power Corporation (NPC)
http://www.napocor.gov.ph

National Telecommunications Commission (NTC)
http://portal.ntc.gov.ph

National Transmission Corporation (TransCo)
http://www.transco.ph

Philippine Coast Guard (PCG)
http://www.coastguard.gov.ph

Philippine Economic Zone Authority (PEZA)
http://www.peza.gov.ph

Philippine National Government Website
http://www.gov.ph

Philippine National Police (PNP)
http://www.pnp.gov.ph

Philippine National Railways (PNR)
http://www.pnr.gov.ph

Philippine Ports Authority (PPA)
http://www.ppa.com.ph

Power Sector Assets Liabilities and Management Corporation (PSALM)
http://www.psalm.gov.ph

Securities and Exchange Commission
http://www.sec.gov.ph

Subic Bay Metropolitan Authority (SBMA)
http://www.sbma.com

Tariff Commission
http://www.tariffcommission.gov.ph

Market Research
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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

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Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp

http://www.buyusa.gov/philippines/tradeevents/index.asp

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully**, **connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E).**

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